Hong Kong
Are the labour laws ripe for change?
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UK economy
Clear policies badly managed
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Cut-price space
Satellite launch market takes off
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Colombia
Battling against drugs and political terror
Page 4

FINANCIAL TIMES

Europe's Business Newspaper — TUESDAY FEBRUARY 2 1993 — D8523A

Israel to let 100 Palestinians back from Lebanon

Israel is to let about 100 of the 415 Palestinians it deported to Lebanon back into the country and will shorten the terms of exile of the others, Israeli television reported, adding that prime minister Yitzhak Rabin worked out the details with US ambassador William Harrop. Palestinian negotiators have refused to resume peace talks with Israel until the deportees were brought back. Earlier report, Page 3

Khmer Rouge attacked: Cambodian troops attacked Khmer Rouge guerrillas on several fronts in the worst fighting for a year. Page 16

Japanese confidence shaken: Japanese business confidence has fallen sharply over the past three months, according to a survey of senior executives. Page 3

Meetings banned in Kinshasa

Public gatherings were banned in Zaire's capital, Kinshasa after last week's riots in which at least 65 people died. French soldiers have been escorting foreigners out of the country, but President Mobutu Sese Seko (left) is refusing to let Belgium send troops to help the evacuation. Page 3

Galileo takes off: Two of the world's biggest airline computer reservation systems merged to form Galileo International, which is estimated to be worth $1.5bn. Shareholders include British Airways, United Airlines and Swissair. Page 17

Craxi isolated: Italian prime minister Giuliano Amato, struggling to preserve the stability of his four-party coalition government, has distanced himself from the difficulties of Socialist leader and former close colleague Bettino Craxi. Page 16

New chief for American Express: Troubled US travel and financial services group American Express appointed Richard Furland, 63, a director since 1972, non-executive chairman. He replaces James Robinson, who resigned at the weekend. Page 17

Krajina clashes worsen: Fighting between Serbs and Croats intensified in Krajina, the Serb enclave in Croatia, and there were fears that the clashes could spread. Page 2

ICI takes titanium stake: Tioxide Group, ICI's titanium dioxide subsidiary, is paying $280m for a 50 per cent stake in a 100,000 tonne a year chloride titanium pigment plant in Lake Charles, Louisiana. Page 17; Lex, Page 16

Taxis halt city: Police fired teargas and rubber bullets to disperse rock-throwing black Johannesburg taxi drivers who blockaded the city centre in protest at alleged harassment by traffic police.

Ominous UK outlook: The trading outlook for UK companies remains "ominous", according credit insurance group Trade Indemnity. Page 6

Bridgestone promotion: Japan's largest tyremaker, Bridgestone, promoted Yoichiro Kaizaki, chief executive of its US operations, to group president. Page 19

Metra's Italian purchase: Europe's sanitaryware market became more concentrated with the purchase by the Finnish Metra group of 51 per cent of Italy's leading producer, Sanitari Pozzi. Page 18

Floods kill 40: At least 40 people were killed and others were missing after their homes were swept away by floods in north-east Tanzania.

Sweden's debt rating cut: Sweden, heaviest borrower in the international capital markets in the past three months, had its long-term debt rating downgraded to Aa2 from Aa1 by US credit rating agency Moody's Investors Service. Page 17

Lloyd's losses reach £924m: Gooda Walker syndicates at the Lloyd's of London insurance market suffered losses of nearly £924m ($1.39bn) in the four years to 1990. Page 6

Unilever to shift staff levels: Multinational consumer products group Unilever is to trim staff levels at its London head office and raise them slightly at its joint head office in Rotterdam. Page 17; Lex, Page 16

Milk battle looms: Northern Foods, largest UK private sector dairy group, says it will buy milk directly from farmers when the Milk Marketing Board's monopoly over supply is abolished. Page 17

■ STOCK MARKET INDICES		
FT-SE 100:	2,851.6	(+44.4)
Yield	4.29	
FT-SE Eurotrack 100	1,088.81	(+6.83)
FT-A All-Share	1,384.44	(+1.5%)
Nikkei	17,133.84	(+109.86)
New York lunchtime		
Dow Jones Ind Ave	3,323.54	(+13.51)
S&P Composite	440.78	(+1.95)
■ US LUNCHTIME RATES		
Federal Funds:	3 1/16%	
3-mo Treas Bills: Yld	2.982%	
Long Bond	104⅞	
Yield	7.218%	
■ LONDON MONEY		
3-mo Interbank	6¼%	(6⅜%)
Liffe long gilt future:	Mar 102 1/32	(Mar 101 31/32)
■ NORTH SEA OIL (Argus)		
Brent 15-day March	$18.485	(18.475)
■ Gold		
New York Comex Apr	$330.7	(same)
London	$329.85	(330.35)

■ STERLING		
New York lunchtime:		
$	1.4565	
London:		
$	1.4535	(1.487)
DM	2.38	(2.3925)
FFr	8.045	(8.0975)
SFr	2.205	(2.21)
Y	181.5	(185.5)
£ Index	77.4	(78.2)
■ DOLLAR		
New York lunchtime:		
DM	1.6355	
FFr	5.5325	
SFr	1.5185	
Y	125.075	
London:		
DM	1.637	(1.609)
FFr	5.535	(5.445)
SFr	1.5175	(1.4855)
Y	124.95	(124.8)
$ Index	67.8	(66.5)
Tokyo close Y 124.95		

Austria	Sch30	Greece	Dr300	Lux	LFr60	Qatar	QR12.00
Bahrain	Din1.250	Hungary	Ft162	Malta	Lm0.60	S Arabia	SR11
Belgium	BFr60	Iceland	IKr160	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lv25.00	India	Rs40	Neth	Fl 3.75	Slovak Rp	Kcs45
Cyprus	C£1.00	Indonesia	Rp3600	Nigeria	Naira20	Spain	Pta200
Czech Rp	Kcs45	Israel	Shk5.90	Norway	NKr15.00	Sweden	SKr15
Denmark	DKr15	Italy	L2700	Oman	OR1.50	Switz	SFr3.20
Egypt	E£4.50	Jordan	JD1.00	Pakistan	Rs35	Syria	S£50.00
Finland	FM12	Korea	Won 2500	Philippines	Pso45	Thailand	Bht60
France	FFr8.50	Kuwait	Fils 600	Poland	Zl 22,000	Tunisia	Din1.250
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es215	Turkey	L7000
						UAE	Dh11.00

Brussels president denounces job-poaching and calls for G7 meeting

Delors calls for social policy to help jobless

By Lionel Barber in Brussels

MR JACQUES DELORS, president of the European Commission, yesterday denounced job-poaching in the European Community and led calls for a relaunch of EC social policy to help tackle the unemployment crisis in Europe.

As EC foreign ministers headed by France warned that monetary instability and competitive devaluations were undermining the EC's single market, Mr Delors criticised "social dumping" whereby certain countries were downgrading workers' rights to attract foreign investment.

Mr Delors' remarks at a meeting of EC foreign ministers in Brussels were widely seen as an attack on the UK. He combined them with a call for an early meeting of the Group of Seven industrialised countries to co-ordinate growth, possibly in April. "We face a world economic crisis and we need a world economic solution," he said.

The Clinton administration has expressed interest in closer economic policy co-ordination within the G7, but US relations with the EC have become strained after last week's imposition of anti-dumping duties on EC steel exporters and yesterday's decision to restrict EC bids on federal public procurement contracts.

At yesterday's opening session of EC foreign ministers, France followed Mr Delors and other EC members urging a "relaunch" of EC social policy to defend workers' rights and guard against "social dumping".

Page 16
■ EC rejects US 'bullying' on award of utility contracts

Mr Roland Dumas, French foreign minister, said employment could not be created by countries outbidding each other for investment. He attacked the recent decision by Hoover, the US multinational, to relocate from Dijon in France to Cambuslang in Scotland as a "serious incident".

Mrs Elisabeth Guigou, French minister responsible for European affairs, appealed for "fair competition" among EC member states. She drew attention to the 1986 Single European Act providing for sustainable, non-inflationary growth, a high degree of economic convergence, social cohesion and solidarity among EC members.

EC diplomats said the reference reflected French concern about the impact on its competitive position of maintaining a strong franc but also described it as an attack on the UK for opting out of the Maastricht treaty's social protocol. It was also implicit criticism of Britain's decision to promote growth by floating sterling outside the European exchange rate mechanism and progressively cutting UK interest rates.

Mr Dumas raised the stakes by urging the EC to accelerate work directives to be adopted under the social protocol in the Treaty, while Mrs Guigou called for adoption of the 48-hour maximum working week and a directive providing for greater consultation between management and workers.

Although the US has yet to commit itself to a summit, there is talk in Brussels among EC and US officials of a potential "grand deal" in the spring in which a cut in German interest rates could be co-ordinated with a Gatt agreement to revive confidence in the world economy.

Last minute points: Jacques Delors (left) confers with French foreign minister Roland Dumas before the EC foreign ministers council in Brussels yesterday, where both men denounced job poaching in the EC

Key index points to faster US industrial growth

By Michael Prowse in Washington

US manufacturing industry is poised for its fastest growth in four years, a sharp increase in the Purchasing Managers' Index indicated yesterday. Boosted by an increase in new orders, the index rose from 55.4 per cent in December to 58 last month, the highest level since July 1988.

This was higher than financial markets expected and, taken with other recent strong data, could lead economists to revise upwards their estimates of US growth this year.

The index has been above the 50 per cent level that indicates an expanding manufacturing sector since last October, when it registered 50.7 per cent.

The Purchasing Managers' Index, based on a monthly questionnaire to over 300 industrial companies, is regarded as a reliable barometer of trends in manufacturing.

In a separate report yesterday, the Commerce Department said construction spending rose 6.2 per cent last year, the biggest increase in six years. However, spending was down 0.4 per cent in December and figures for October and November were also revised down.

Mr Robert Bretz, a spokesman for US purchasing managers, said low levels of corporate inventories and rising order books indicated the economy would continue to strengthen in coming months.

If the purchasing index remained above about 53 per cent – the average for last year – growth of real gross domestic product was likely to exceed 3 per cent this year, he said.

Yesterday's figures follow reports last week of a 9.1 per cent increase in new orders for durable goods between November and December and economic growth at an annual rate of 3.8 per cent in the fourth quarter. Sales of existing homes at the end of last year were reported at their highest level in 13 years.

Most components of the purchasing index sent encouraging signals. The index for new orders rose from 64.4 per cent in December to 67.2 per cent, the highest level for nearly a decade.

Emu timetable attacked as 'much too ambitious'

By David Marsh in Oxford

A LEADING member of the Bundesbank's policymaking council last night criticised as "much too ambitious" the timetable for European economic and monetary union.

Mr Reimut Jochimsen, president of the North Rhine-Westphalia central bank, and a favourite to take over as Bundesbank vice-president later this year, said he favoured ratification of the Maastricht treaty but attacked the plan for monetary union by the end of the century.

He also said he opposed the idea that movement to a single currency would be irreversible and automatic.

Speaking at Nuffield College, Oxford, he said Germany and its European Community partners decided to speed up European union after the breach of the Berlin Wall in November 1989 because of "the idea that Germany would want to escape from its obligations of European integration".

Irish attack on 'selective' ERM policy ....Page 2
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He admitted that recession-hit European countries were facing difficulties in meeting the public debt and deficit targets laid down in the treaty. This was because "the Maastricht treaty was never subjected to a test of how it would be fitted in to medium-term cyclical developments".

Although long-term German interest rates were not particularly high, he said the Bundesbank's monetary policies – the result of "persistent imbalances in the German policy mix" – were causing difficulties abroad.

"Germany in year three [after reunification] is putting a burden on Europe. This has to be dealt with – it has to be solved. But we are tied up with the polit-

Continued on Page 16

Speculators hit ERM

THE French franc and Danish krone fell victim to a sharp burst of speculative selling yesterday after the 10 per cent devaluation of the Irish punt within the European exchange rate mechanism, writes James Blitz in London.

Both currencies later recovered, although money market interest rates in both France and Denmark remained at very high levels. The French franc fell sharply in the first hours of trading, to a low of FFr3.3950 against the D-Mark, while the Danish krone was seen as low as DKr3.8750 against the D-Mark, near to its floor of DKr3.9016.

The franc later closed at FFr3.380 against the D-Mark, while the krone closed at DKr3.8501, as selling pressure abated. The Irish punt climbed to the top of its new ERM bands as the market accepted the devaluation. It closed at DM2.4369.

UK tries to calm markets

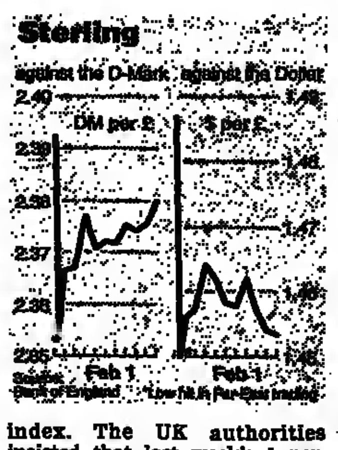
By Ralph Atkins, James Blitz and Peter Norman in London

MR JOHN MAJOR, Britain's prime minister, moved yesterday to dispel expectations of further UK interest rate cuts as his government launched a concerted operation to restore confidence in sterling, its economic policy and Mr Norman Lamont, chancellor of the exchequer.

With the pound under pressure, Downing Street, the Treasury and the Bank of England sought to reassure markets that Mr Lamont was in full charge of economic policy and that there were no splits with the prime minister over interest rates.

Sterling plunged to a historic low of DM2.355 in Far East trading yesterday, after weekend press reports of a government split triggered what some dealers described as a sharp burst of speculative selling.

Although the pound recovered somewhat in London to close at DM2.38, more than a pfennig down from last Friday's close, it closed sharply lower at 77.4 when measured against the Bank of England's sterling exchange rate



index. The UK authorities insisted that last week's 1 percentage point cut in bank base rates to 6 per cent was consistent with the government's target of returning to economic growth with low inflation.

For the second day running, Downing Street denied reports that Mr Major was the driving force behind the rate cut and seeking an eventual reduction in interest rates to 4 per cent. A Downing Street official said the decision last week to cut base rates to 6 per cent had been proposed by Mr Lamont. Doubts continued, however, among Conservative MPs over the political authority of Mr Lamont amid widespread expectations that he will be moved after the March 16 budget.

Speculation about differences between Mr Lamont and Mr Major has been fuelled by the latter's decision to take a closer involvement in Treasury policy in the run-up to the budget. But government officials suggested that yesterday's developments would make further rate cuts less likely.

Downing Street said the weekend reports of Mr Major wanting big cuts in the cost of borrowing had backfired. "The one thing that damages the likelihood of interest rate cuts is talking about interest cuts," it said.

Aides to Mr Lamont made clear he did not regard further cuts in the cost of borrowing as likely before the budget. "Interest rates are as likely to go up next as they are to go down," they said.

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Irish attack on 'selective' ERM policy

By Lionel Barber in Brussels and Alice Rawsthorn in Paris

THE Irish government yesterday denounced the management of the European exchange rate mechanism and warned that, without closer co-operation, member states' currencies risked being "picked off one by one" on the foreign exchange markets.

Mr Dick Spring, Irish minister for external affairs, told his European Community counterparts meeting in Brussels that a more effective collective response was needed to deter speculators following the weekend devaluation of the punt.

Without naming the French franc, which has received substantial support from the Bundesbank, Mr Spring suggested some countries were receiving more support than others.

"Piecemeal measures and selective reactions to attacks on individual currencies are not going to be adequate. Neither are bilateral arrangements which ingore the essential need for solidarity between all the member states."

The 10 per cent devaluation of the punt last Saturday led to speculation that the franc would soon come under attack. But Mr Michel Sapin, the French finance minister, yesterday insisted that France and Germany would continue to support the currency. "If the franc is attacked we will fight back with the same determination and the same methods," he said.

The franc has been shrouded by speculation since last week's reduction in UK base rates. Mr Sapin criticised the British for renewing the tension in the ERM. "Britain has no right to run a policy along the lines of 'Every man for himself,' especially as it is not working," he said.

Mr Bertie Ahern, Irish finance minister, said at the weekend that smaller countries were at a disadvantage, while France was able to get a "separate deal" in support of the franc.

EC leaders asked the EC's monetary committee to review the operation of the ERM after the forced withdrawal of the lira and sterling. Mr Spring called for the review to be completed without further delay, but France and Germany are understood to be reluctant to endorse any substantial changes. Mr Spring said: "Our experience is not unique. Others have been obliged to take similar measures. Their experience and ours raises obvious questions about the capacity and willingness of the Community to respond effectively to (currency) pressures."

Cautious mood in Dublin

SIGNS of confidence returned to the Dublin financial markets yesterday, following the 10 per cent devaluation of the punt at the weekend, writes Tim Coone in Dublin.

Foreign exchange dealers reported heavy inflows of funds, reversing the outflows of last week and which pushing the punt up to its new ceiling within the ERM band of DM2.44.

The Irish gilts market was also active.

The National Treasury Management Agency, which manages the government's debt, placed around I£150m of 5- and 10-year maturity stocks on the market, which dealers say were quickly taken up.

On the Irish stock exchange, the ISEQ overall index gained almost 5 per cent, with financial and food stocks performing particularly well.

The most active buyers on the foreign exchange market were corporations and foreign banks.

Dealers said that overseas buyers are still exercising caution, however, and that much of yesterday's dealing was related to profit-taking resulting from positions taken out by speculators before the weekend.

The central bank dropped its overnight lending rate from 100 per cent to 14 per cent yesterday, and the key one-month interbank interest rate fell sharply to 16 per cent from over 40 per cent, where it stood most of last week.

There are lingering concerns, however, that commercial lending rates, and particularly mortgage rates, might still be increased if interbank rates do not fall further.

The building societies hinted yesterday that they might still be obliged to increase mortgage lending rates, currently around 14 per cent, if the key one-month interbank rate does not fall below 14 per cent.

Currency system defended

MR Helmut Schlesinger, the Bundesbank president, last night threw his weight behind the European Monetary System, arguing that it had a good long-term record in promoting monetary stability and economic convergence across Europe, writes Peter Marsh.

But Mr Schlesinger also hinted, in a speech in London, that more realignments might be needed in the system before Europe reached the final goal of fixed exchange rates as part of economic and monetary union.

Speaking to the Overseas Bankers' Club at the Guildhall, the Bundesbank president warned that, with Britain having no firm plans to rejoin the exchange rate mechanism, there would be "less compulsion" for the UK to take the necessary steps ahead of union to harmonise its economy with the rest of Europe.

He went out of his way to sound conciliatory about Britain, suggesting that for Europe to go ahead with economic and monetary union without the UK would be inappropriate. In a determinedly positive reference about the EMS, Mr Schlesinger said the recent spell of currency turbulence in Europe did not mean the system had failed.

Rather, it demonstrated that the system needed periodic adjustments on the road to economic and monetary union, a goal which might be reached by the end of the century.

Referring to the possibility of more realignments, he said: "There was once a widely held illusion that the EMS was already a *de facto* monetary union, a currency area in which exchange rate adjustments were no longer possible.

"They have been necessary and they cannot simply be banned until monetary union is established, even though they will become less compulsory as covergence increases."

EC's era of openness strong on showbiz

Little substance emerges as foreign ministers' meeting is televised, writes David Gardner

Danish Foreign Minister Niels Helveg Petersen (right) with his German counterpart Klaus Kinkel

"ALWAYS dispose of the difficult part in the title; it does less harm there than in the text." Such was the advice of the ineffable Whitehall mandarin Sir Humphrey Appleby, from the BBC TV satire Yes, Minister, to a naive subordinate enthused by open government.

European Community foreign ministers were conceivably following his script yesterday when they inaugurated a new era of openness in Community decision-making, submitting to having the first part of their Council meeting televised for the first time.

The televised proceedings were very much the "titular" part. Ministers delivered speeches on the current Danish presidency's work programme.

There was no debate and little substance, this being reserved very much for the "textual" negotiations detailed mostly to ministerial subordinates who do most of the horse-trading on EC decision-making.

Inside the chamber, it was the older troupers, familiar with showbiz, who performed most plausibly: Mr Douglas Hurd of the UK, patrician and authoritative; Mr Roland Dumas of France, feisty and combative; Mr Emilio Colombo from Italy, gesticulating elegantly and introducing the concept of "original sin" to EC monetary policy; and Spain's Mr Javier Solana, who proved Spaniards will always get more of their oar in at such gatherings, because they can speak so much faster.

They were able to memorise enough to face cameras, and proved masters of the "There is no time here to discuss" ploy, both to evade substance and exceed their speaking time. Mr Hurd provided the high point of humour, brazenly bracketing the secretive British with the gapingly open Danes for "arguing most forcibly for this experiment".

Newcomers scored on substance. Mr Piet Kooijmans, Dutch foreign minister, called for a down-payment for the future" in democratising the EC by giving the European parliament equal decision rights now with the Council of Ministers, even before the Maastricht treaty enshrines these rights.

Mr Dick Spring, Irish foreign minister, made the one genuinely political contribution, highlighting the need for action on EC monetary policy after the weekend's devaluation of the Irish punt. Their interventions excited the fantasy that televised proceedings of the acrimonious September 1992 finance ministers' meeting in Bath, just prior to "Black Wednesday", would have made compulsive viewing.

For the future, however, viewers keen on openness should insist on a "nuts points" score for those such as the Greek ministers, who spoke at length about Macedonia without once mentioning it, or for Mr Dumas who elegantly stuck the knife into Britain for "poaching" a Hoover plant from Dijon to Scotland, but neglected to mention the UK.

The haphazard system of leaks, briefings, corridor encounters and door-stepping will continue to be the basic mechanism for learning, haphazardly, about what ministers get up to in Brussels. Even if yesterday's performance were extended to all Council proceedings rather than "work programmes" and yet-to-be-defined "major issues", the corridor purveyors of information would still be in business, on yesterday's evidence.

New applicants to give up the neutrality habit

By David Gardner in Brussels

AUSTRIA, Sweden and Finland said yesterday they would sign up to Maastricht treaty goals of a common European foreign and defence policy, as their negotiations to join the European Community opened formally in Brussels.

Attempting to dispel EC concerns that their traditions of neutrality would make them a brake on Europe's ambitions to develop a collective foreign and defence identity, foreign ministers of the three applicants emphasised unequivocal commitment to the treaty.

"Our security is indissolubly linked to the security of the continent," said Mr Alois Mock, Austria's foreign minister, adding that his country was "fully committed to the treaty on European union," and to the common foreign and security policy.

Mr Ulf Dinkelspiel, Sweden's minister of European affairs, said "we wish to participate fully in the common foreign and security policy".

He added that while the Swedish parliament had recently restated that Sweden could not participate in military alliances, his government recognised the goal of a common defence policy "which in time might lead to a common defence," and would not hamper it.

Mr Pertti Salolainen, the Finnish foreign trade minister, said his government was "ready to contribute to the construction of a common European defence".

The Maastricht treaty calls for a common foreign and security policy, developed largely on intergovernmental co-operation between EC member states, and posits a future defence identity, which is unlikely to start taking shape until the EC's next constitutional review in 1996.

If Austria, Sweden and Finland join the EC by 1995, as they and EC negotiators now expect, they would have a voice in that review.

Member states such as France and Spain are therefore determined that they should sign up in advance to the so-called "potentiality" of Maastricht even though the treaty remains to be ratified by Denmark and the UK.

The three countries also emphasised that they would be bringing wealth and high social and environmental standards to the Community, along with a tradition of open government consistent with the EC's promise to bring decision-making closer to the citizen.

The opening of negotiations was televised, before detailed discussions kick off today.

The proceedings were suffused with irony as the current Danish presidency of the EC reeled off a list of membership requirements so intimidating that few existing member states would apply – and several of which, such as foreign and defence policy, Denmark itself got opt-outs from at December's Edinburgh summit.

Though the three applicants have already accepted most existing EC obligations by signing the European Economic Area treaty between the Community and the European Free Trade Association, few Brussels diplomats believe the foreign and defence issue will be as easy to resolve as it was before yesterday's cameras.

● Romania and the EC yesterday signed an association agreement. It is similar to those signed previously with Poland, Hungary and the former Czechoslovakia.

Krajina fighting worsens amid fear for UN zones

By Laura Silber in Belgrade

CLASHES between Serbs and Croats yesterday appeared to intensify in Krajina, the Serb enclave in Croatia, amid fears that the fighting could spread to the other UN zones.

Serb military leaders in Krajina claimed as many as 20,000 Croat troops were massing in UN Sector West in central Croatia, which has so far been peaceful. UN officials said they were aware of the reports, but warned that peacekeepers were prepared to defend the year-long ceasefire line.

"We have the bulk of five heavily-mechanised battalions which are prepared to protect the sector. It is different than in Sector South, where the assault took us by surprise," said a UN official.

The fighting in Croatia came as diplomatic efforts to end the fighting in neighbouring Bosnia moved from Geneva to UN headquarters in New York. Mr Cyrus Vance and Lord Owen, peace talks co-chairmen, were due to meet Mr Boutros Boutros Ghali, UN secretary-general, in New York last night.

He had earlier discussed Bosnia with Mr Warren Christopher, the US secretary of state.

In Krajina, Serb military leaders said Croatia had launched a "general offensive" along a 25km arc stretching from Obrovac in the north to Skradin in the south, 11 days after Croat forces pushed across UN lines.

UN officials confirmed reports of tank and artillery duels in the area around the Serb-held town of Benkovac, in UN Sector South, one of four UN Protected Areas comprising Serb enclaves.

Tension was also growing in Sector East, which includes Vukovar, the town devasted by the Yugoslav army during the seven-month war over Croatian independence.

Croatian radio said, however, that Serb forces were regrouping for a counter-attack after the Croatian army last week seized control of the Maslenica bridge, which joins central Croatia with its Dalmatian coast. The Croats also seized the heavily-damaged Peruca dam, where an emergency operation to drain the reservoir was still under way yesterday.

Krajina leaders on Sunday gave the UN a 48-hour ultimatum to enforce a Croat pull-out from all the territories seized during the offensive. It is unclear what measures will be undertaken in the likely event that Croatia refuses to withdraw.

The upsurge in fighting comes as the fate of the Bosnian peace talks yesterday hung in the balance.

Mr Alija Izetgegovic, Moslem president of Bosnia, said he would boycott the talks, proposed for New York.

Probe into Dan-Air's BA merger

THE European Commission has begun a one-month inquiry into the impact of the merger between British Airways and Dan-Air, the ailing UK airline, on services between Belgium and Britain, writes Andrew Hill.

The Belgian government complained about the possible anti-competitive effects of the deal at the end of November. The Commission explained yesterday that it did not begin its formal investigation until January 19, because Belgium did not initially provide enough information about its complaint. The Commission announced in November that it would not investigate the Dan-Air takeover because it was too small to fall under Brussels' jurisdiction, but Belgium activated a previously unused clause in the EC's merger rules which allows a separate inquiry into the implications for a national market.

Compromise may emerge on HDTV

By Andrew Hill in Brussels

EUROPEAN Community member states will press on with attempts to find a compromise over the development of cinema-quality television despite the announcement by Philips at the weekend that it was suspending plans for mass production of high-definition television sets.

Philips of the Netherlands and Thomson, the French electronics manufacturer, have invested heavily in HDTV technology and the Dutch company's decision underlines the uncertain future of the European HDTV programme.

In December, Britain blocked approval of European Commission plans to inject Ecu500m (£406m) into the development of HDTV over five years, saying other technologies might overtake the standards promoted by the Commission. Philips said at the weekend there was no point producing sets to the most advanced standards if the EC did not fund production of HDTV programmes. But a spokesman for the industry commissioner Mr Martin Bangemann, said yesterday there was no question of abandoning the programme at this stage.

Denmark, which holds the EC presidency, will try to break British opposition with a new compromise proposal before the May meeting of EC telecommunications ministers.

The Philips decision was "obviously not a positive decision," a Commission official said yesterday, but he added Philips was completing research into HDTV and would be ready to produce sets if funding was made available. Some senior Commission officials are sceptical about the prospects for the HDTV strategy, once seen as the flagship of an active EC industrial policy, and believe Philips' decision could hasten its demise.

Russia aims to make free market 'irreversible'

By John Lloyd in Moscow

THE Russian government will this month try to make the free market system "irreversible" by greatly extending the system of mass privatisation auctions throughout the country.

Around 300 medium-sized or large enterprises in 41 regions of Russia are scheduled to be privatised through voucher auctions over the next six weeks. The sales include 10-15 very large companies with 10,000-plus workers each. If successful, these auctions will considerably notch up the tempo of sales, from 11 in December and around 25 in January.

The exercise, which should involve up to 5,000 large enterprises in the course of this year, is the largest sell-off of state assets ever attempted and is being seen as central to overall reform under way in Russia.

Mr Anatoly Chubais, the Russian deputy prime minister in charge of privatisation, said at the World Economic Forum in Davos yesterday that he expected "fierce political battles" with communists and their supporters in parliament over the reforms, but millions of people now supported the programme. "I believe we won the privatisation process in 1992 and if we win only part of what we want to do in 1993, it will be enough to make the whole process irreversible for all time," he said.

Russian citizens have been sceptical about sales, reflected in low prices for the privatisation vouchers. Nearly all of Russia's 150m population have received one voucher, each with a nominal value of Rbs10,000 and which can be exchanged for shares.

However, in the secondary markets, where it is estimated that 20-30 per cent of voucher holders are selling their vouchers immediately – the current prices obtained are only Rbs4,000 and Rbs5,000.

Money raised from the sales is split between central and local government and the companies themselves.

● The Russian government more than doubled gas prices for industrial and household consumers yesterday in an effort to bring energy prices closer to world levels. Industrial users will pay Rbs3,600 per 1,000 cubic metres, up from a maximum of Rbs1,600. Household users will pay Rbs600 per 1,000cu.m, up from Rbs216. Gas industry officials said the price rise was to cover investment needs.

OBITUARY

The De Benedetti who shunned the limelight

MR Camillo De Benedetti, the Italian financier and cousin of Mr Carlo De Benedetti, died at the weekend after a long illness. Unlike his cousin, Camillo De Benedetti, 60, tended to shun the limelight, although he was one of the leading figures in Italian finance, especially insurance.

For many years, he was deputy chairman of Generali, Italy's biggest insurance group, in which he was also one of the biggest individual shareholders. More recently, his attentions switched to Fondiaria, the big Florentine insurer, of which he was chairman until his death.

Camillo De Benedetti took joint control of Fondiaria, then majority-owned by the Ferruzzi group, in December 1989, in a complex deal arranged with Mr Raul Gardini, the Italian financier. The transaction divided control of Fondiarie between Ferruzzi, run at the time by Mr Gardini, and Camillo De Benedetti's Gaic holding company.

His chairmanship sparked a period of sharp growth for Fondiaria, especially abroad.

However, the rise of Fondiaria, and the more recent pressure on its profits, rekindled a sometimes heated relationship between Camillo De Benedetti and Mediobanca, the powerful merchant bank which is one of the biggest shareholders in both Generali and the Florentine company.

Haig Simonian

Deutsche Telekom appeal

By Quentin Peel in Bonn

DEUTSCHE Telekom, the German state telephone monopoly, urgently needs to expand its capital base through privatisation, in order to help finance a DM60bn ($38bn) investment programme in east Germany.

Mr Helmut Ricke, the chief executive, said yesterday that the investment programme, under which DM11bn was spent in 1992 and the same amount again is planned this year, would run up huge debt servicing costs unless the privatisation plan was approved by the German Bundestag in the near future.

He said that the telecommunications giant managed to install more than 25 per cent more telephone connections in the former Communist part of Germany last year than it originally planned: 756,000, compared with a target of 600,000. Yet the company still faces a backlog of 2m requests for new phone lines.

Details of the extraordinary telecommunications investment programme were presented by Mr Ricke yesterday, in a defence of the decision not to open the east German market to wider international competition. At the same time he warned that the planned privatisation of Deutsche Telekom was urgently needed "so that we won't have to hold back our investments because of our capital base".

The German government plans to sell off 49 per cent of the state monopoly to private shareholders, but has to reach agreement with the opposition Social Democrats first, in order to change the constitution to allow privatisation to go ahead. Mr Ricke said last week he expected the first shares to be sold in 1994 or 1995.

He said that Deutsche Telekom created 1,500 jobs directly in east Germany last year through its investments, and ensured the preservation of 100,000 more jobs through its contracts to east German enterprises. Of the DM11bn spent on the overhaul of the entire network, DM5bn was spent directly in east Germany.

Dr Wilhelm Pällmann, the director responsible for the eastern investment programme, said there were now 20 telephones per 100 inhabitants, compared with 11.6 in 1989, and around 50 per 100 inhabitants in west Germany. The two halves of the country should be equally well equipped by 1997, when the Telekom DM60bn investment programme comes to an end.

Far right in Austria fails with petition

By Eric Frey in Vienna

AUSTRIA'S right-wing Freedom Party (FPO) and its charismatic leader, Mr Jörg Haider, suffered a stinging setback yesterday, when a mass petition directed against foreigners only drew the signatures of an estimated 500,000 people, half the number he had sought.

Less than 10 per cent of voters put their signatures to the petition, which calls for stricter immigration laws and a constitutional amendment stating: "Austria is not an immigration country".

Mr Haider had originally hoped for backing from more than 1m people. The petition's eight-day registration period ended last night, and even though the petition is non-binding, a higher turnout would have put the coalition government on the defensive.

Because more than 100,000 signed the petition, parliament is now required to debate its contents, although it can then ignore it.

But as he is riding on a wave of economic and social discontent, Mr Haider is expected to score further successes in regional elections later this year. The Freedom Party leader blamed what he called unfair local authority restrictions for the disappointing results. But mobilisation of a broad coalition against the petition had deterred voters from signing. Last weekend 200,000 people demonstrated in Vienna against racism.

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Japanese business confidence declines

By Charles Leadbeater in Tokyo

JAPANESE business confidence has fallen sharply over the past three months, according to a survey of senior executives published yesterday which showed that 70 per cent do not expect their company's performance to improve before the final three months of the year.

The survey by the Keidanren, the leading employers' federation, found that seven out of 10 top business executives think their company's profits will only start to recover between October and December.

The 252 business leaders forecast Japan's economy would grow by 2.5 per cent in the coming fiscal year from April, down from the 3.9 per cent they forecast in a similar survey in November. About 44 per cent of the respondents said the economy as a whole would only begin to recover towards the end of the year.

The results of the survey will add to pressure on the Bank of Japan to cut interest rates and on the ruling Liberal Democratic party to bring forward plans for an emergency public spending package to stimulate the ailing economy.

Business leaders will renew their calls for a more expansionary policy at a meeting with LDP leaders on Friday. Official figures for business and consumer confidence due to be published today will confirm the depressed state of the economy.

The momentum behind the downturn was underlined yesterday by official figures showing that sales of cars were down 10.5 per cent last month compared with January 1992 and that sales of lorries were 15 per cent lower.

The gloomy economic news will maintain pressure on the Bank of Japan to cut the official discount rate.

Cathay Pacific stoppage focuses attention on HK's labour laws

Fall-out from "perfume picket line" sets awkward agenda for Governor Patten, writes Simon Davies

IN STARK contrast to their advertising image of passive glamour, Cathay Pacific's air hostesses have sparked a controversial re-evaluation of Hong Kong's labour laws, following the ending of their 17-day strike on Saturday.

It is a theme that could prove awkward for Governor Chris Patten.

His push for further democracy has helped earn him the label of a man of the people. He has proposed more representative government, despite opposition from a conservative business lobby, and made a great show of introducing transparency and accountability into the administration. But although he has talked of Hong Kong having a first-world economy and a third-world environment, he seems unlikely to want to alter the colony's working environment by encouraging its nascent trade union movement.

The flight attendants' strike initially focused on the issue of being forced temporarily to fill junior positions. The dispute escalated when Cathay Pacific fired three flight attendants for following union recommendations not to "work down".

Neither Cathay nor the strikers wanted the issue to be politicised, but when the airline insisted on retaining its legal right to discipline striking staff – and ultimately to sack them – the dispute evolved into a debate over whether workers should be allowed to strike.

The argument literally moved onto Mr Patten's doorstep, when the so-called "perfume picket line" relocated to the entrance of Government House in the hope of forcing his support. However, the strikers' only glimpse of the governor was when he drove out en route for the airport and Bali, and the administration has kept surprisingly quiet on the issue.

Employees are allowed to strike, but they have to face the consequences of any breach of their employment contract. Dr C.K.Law, research director at South China Brokerage, says: "The labour laws in Hong Kong are very much out of the 19th century."

One vocal commentator might have been expected to take sides in a fight between a group of workers and a traditional British company, has been noticeably silent: China. The fact that Beijing-controlled company CITIC Pacific is a big shareholder in Cathay is one possible explanation, but it is also likely that Beijing would not wish to see the trade union movement strengthened prior to 1997.

On the surface, the debate might appear simple. Hong Kong's labour laws have not been meaningfully altered for more than a decade, and both employers and employees are at risk under current legislation.

Cathay itself has urged change, since the wildcat strike that started the walk-out – and may have cost the company more than $HK200m (£15.6m) – was started with the agreement of just 114 of the 3,700 members of the Flight Attendants Union (FAU).

Furthermore, Mr Martin Lee, leader of the United Democratic party, has been highly critical of the role of Mrs Katherine Fok, the Commissioner for Labour, who turned down requests by legislators for the appointment of a special conciliation officer for the dispute. "We were compelled to draw the conclusion that the people above [Mrs Fok] did not want her to do anything," said Mr Lee, who indicated that the administration could be influenced by the fact that Cathay Pacific is controlled by both British and Chinese interests.

Mr Lee's party, which thus far has been a staunch supporter of Mr Patten, controls 12 of the Legislative Council's 60 seats. It would expect support from other liberal factions, for any legislative changes which the United Democrats put forward. But this might not be enough.

Mr Y.N.Yiu, deputy commissioner for labour, said a review would be conducted, but he emphasised that the review would "have to take into account local conditions." He said that minimum statutory benefits for Hong Kong workers were already at least as good as those in other similar South Asian economies.

The Co-operative Resources Centre, the conservative political grouping, welcomed the government's review, but it is also unconvinced of the need for drastic change.

CRC spokesman Mr Ronald Arculli pointed to the fact that there had been very few labour disputes in Hong Kong's history and said "one wonders whether the current difficulties are not being unduly politicised by the unions."

The last major industrial dispute in Hong Kong, was the 1989 strike by China Motor Bus drivers, which lasted 2 days and was almost immediately resolved to the satisfaction of the union. Since then, a tight labour market has enabled dissatisfied workers to obtain alternative employment.

February will herald the review by the Legislative Council of Mr Patten's controversial blueprint for political reform, and it is easy to assume that this will overwhelm any reaction to Hong Kong's most high profile industrial dispute – despite the attempts of Martin Lee.

As Dr Law said: "If the business community stands firm, I don't think the government will make any changes. I think the issue will just die down". The business community appears happy to dismiss the strike as a glamorous aberration.

Israel seeks EC restraint over deportees issue

By Lionel Barber in Brussels

ISRAEL yesterday urged the European Community to show restraint in the Palestinian deportees controversy so as not to disrupt efforts to strengthen bilateral trade ties.

Mr Shimon Peres, Israel's foreign minister, made the plea during talks in Brussels which included meetings with Mr Jacques Delors, European Commission president and senior EC commissioners, and a dinner with EC foreign ministers.

The EC last December condemned the Israeli decision to deport more than 400 Palestinians to Lebanon. Work to update the 1975 EC-Israel trade accord slowed down, but the Community has been reluctant to take additional steps because the Israeli government led by Mr Yitzhak Rabin is viewed as more flexible in the Middle East peace talks than its predecessor led by Mr Yitzhak Shamir.

Mr Peres said yesterday that Israel, Egypt, the US and the EC were working jointly to resolve the deportee controversy in a manner "acceptable to all parties", but he declined to offer details. He noted however that Israel could not comply with present UN resolutions because they made no reference to the Hamas deportees.

Mr Peres singled out Israel's willingness to be constructive in an interview yesterday. Recent measures included an end to settlements in the occupied territories, an end to subsidies for Jewish housing in the West Bank and Gaza, and a change in the law banning contacts with the Palestine Liberation Organisation.

The Israeli foreign minister said the Egyptians had been very helpful in trying to resolve the row over the deportees. He also invited EC foreign ministers – the so-called "troika" – to visit Israel, declaring that his government wanted to have a relationship with the Community "more or less parallel with the US".

Aircraft group to receive $280m

By Hugh Carnegy in Jerusalem

THE ISRAELI government has agreed to provide a $280m (£185m) restructuring package to Israel Aircraft Industries, the country's biggest company, in the latest move by the state to bolster its struggling defence sector.

IAI, which says it will report a loss for 1992 of between $50m and $60m, will use the package to pay for the dismissal of 1,500 of its 17,400 workers and to invest in a new generation of civilian products in a bid to underpin its strategy of decreasing its traditional reliance on defence markets at home and abroad.

The defence sector, hit hard in recent years by declining world markets for military equipment, has become one of the biggest burdens on the Labour-led government as it attempts to reduce the state's large-scale involvement in industry.

In December, the government pumped more than $280m into Israel Military Industries to back a recovery plan which will cost 2,500 jobs out of its 7,500-strong workforce.

That followed an earlier injection of $100m in state funds for IMI.

The government, facing historically high unemployment levels of more than 10 per cent of the workforce, is reluctant to see big closures in the defence industries, which account for a large proportion of Israel's industrial output. IAI's annual overseas sales of around $1.25bn alone account for some 17 per cent of Israeli industrial exports.

IAI said it had been hit by a $100m shortfall in expected sales in 1992 – ironically, mainly due to the recession in the civilian aircraft sector in Europe and the US.

Under the terms of the government package, it will receive $50m in cash, will convert a $30m state loan into cash and equity capital and will receive $200m in state loan guarantees.

It will get a further $3m in research and development grants.

The company said it expected to break even in 1993 on sales of $1.5bn and planned to return to profits in 1994.

Kinshasa riots trigger clampdown on meetings

MR MUNGUL DIAKA, governor of Zaire's capital Kinshasa, yesterday banned all political meetings and public gatherings in the wake of last week's riots in which at least 65 people died, Reuter reports from Kinshasa.

The governor, an ally of embattled President Mobutu Sese Seko, also announced that any newspaper considered to be inciting hatred and violence would be seized. The capital, a sprawling city of 3m people, remained tense yesterday but appeared quiet, despite bursts of rifle fire and the dull boom of heavier weapons being heard throughout Sunday night. State radio said some looting continued.

Central Kinshasa was virtually deserted again. Few cars were on the streets, although growing numbers of pedestrians were venturing outside. The smart Gombe district, which includes embassies and the luxury Intercontinental Hotel packed with rich families escaping the violence, has been declared a military "operational zone." However, Zairean residents said they had no trouble entering or leaving the area.

The military zone was clearly meant not so much to stop looters as to warn soldiers from Belgium, Zaire's former colonial power, not to land to evacuate their nationals.

At least 400 Belgian paratroops have arrived in the Congolese capital Brazzaville, just across the river, but Mr Mobutu has denied them permission to enter Zaire. Several dozen French troops are already in Kinshasa to protect French citizens, with Mr Mobutu's approval.

● Belgian companies operating in the country have repatriated most of their expatriate staff from the capital, several of the companies said yesterday, Reuter writes from Brussels.

Belgium on Sunday asked all its citizens in Kinshasa to gather to be repatriated. There were around 1,000 Belgian nationals in Kinshasa.

RIOT POLICE fired tear gas and plastic bullets yesterday to disperse rock-throwing black taxi drivers who blockaded central Johannesburg in a protest at alleged harassment, Reuter reports from Johannesburg. At least nine people, including six policemen, were hurt. The taxi drivers, demanding government subsidies and complaining of discrimination by traffic officers, blocked several big intersections with their vehicles before the morning rush hour. Riot police were pelted with bricks, paving stones and bottles when they moved in with armoured tow trucks to clear the streets.

World Bank lends $175m to Lebanon

THE WORLD Bank is to lend Lebanon $175m for rebuilding the country's infrastructure, devastated by 15 years of civil war, Reuter reports from Beirut.

Officials said yesterday an initial agreement was signed in Washington last week and the loan would be granted after parliamentary approval.

The loan agreement, the first between Lebanon and the World Bank in 14 years, was reached after months of negotiations. Lebanon would pay back the loan over 17 years, with a five-year exemption and at an interest rate of 7.5 per cent.

Lebanon managed to limit foreign debts to about $800m despite the 1975-90 civil war. Its internal debt is estimated at more than $2.4bn.

Officials said the loan reflected growing international confidence in the government of Mr Rafik al-Hariri, the billionaire prime minister.

Economists and bankers said that although the loan was significant it was only a small step in the right direction.

According to the agreement, Lebanon would use $35m to rebuild its power grid, $60m on water and sewage systems, $25m on housing, $30m on garbage incineration, $15m on vocational schools, and $10m on technical aid.

Taiwan's ruling party faces power struggle

A PLAN by Taiwan's president, Mr Lee Teng-hui, to transfer power from old-guard conservatives to a younger generation has triggered a power struggle in the ruling Nationalist party, agencies report from Taipei.

Mr Hau Pei-tsun, the 73-year-old premier, announced at the weekend that he would soon resign to mend a rift between liberal and conservative factions. Mr Hau, leader of the conservative faction, is recommending that Mr Lin Yang-kang, 65, head of the government's judicial branch, be chosen as his successor.

Mr Lee is reported to favour Mr Lian Chan, 56, who now holds the post of governor of Taiwan.

Pressure for Mr Hao's resignation increased after the Nationalists saw their share of the vote plunge to a record low of 53 per cent in the December 19 parliamentary elections, the first in four decades.

When parliament convened yesterday, Nationalist legislators supporting Mr Hau, in an apparent move to embarrass Mr Lee, did not back the party's endorsement of Mr Liu Sung-fan as president of the parliament.

In addition, the 50 opposition lawmakers of the Democratic Progressive Party walked out during the swearing-in ceremony and took their oaths outside the meeting hall, saying they did not want to take the oaths in front of the Nationalist flag.

The ruling party retained a parliamentary majority but the DPP more than doubled its number of seats to 50 in the 161-seat legislature.

Bophuthatswana: the slow trek to inevitable oblivion

Patti Waldmeir finds little future for the homeland in any ANC-dominated South African government

THERE is no logic to Bophuthatswana except the terrible logic of apartheid.

That is the argument made by black anti-apartheid leaders who want to see this testy little black "homeland" abolished, and its territory reincorporated into a new South Africa blind to both colour and ethnicity.

They argue that "Bop", as it is disparagingly known, is a creation of apartheid and should disappear along with its creator; that it was granted independence by an illegitimate regime in Pretoria (the only government ever to recognise it); and that there can be no argument for continued autonomy.

The reality, as always in South Africa, is not so simple. For as the homeland's President Lucas Mangope points out, "Bophuthatswana cannot and will not be wished away.

"For us to change our constitutional dispensation, the change will have to be for something better or alternatively a future which at least is as good."

The crux of his argument is economic: Bophuthatswana, a nation of 2m Tswana people which gained nominal independence from Pretoria in 1977, has more to lose economically from reincorporation into South Africa than any other homeland.

Economic growth in recent years has exceeded that in almost every other independent African country: the Bop economy grew at a real annual rate of 18.4 per cent in 1985-89, which compares well with even the best-run African economies and far exceeds the performance of other independent homelands (Transkei grew by 3.1 per cent, Ciskei by 7.4 per cent, and Venda by 11.4 per cent over the same period).

Critics argue that, as South Africa' best-endowed homeland, it is bound to be the most prosperous – Bophuthatswana is home to one of the world's largest platinum producers, and its proximity to the industrial heartland near Johannesburg has made it the only homeland with any significant industrial development. They ignore the fact that, on a continent which scarcely distinguishes itself by the quality of economic management, Bophuthatswana clearly excels.

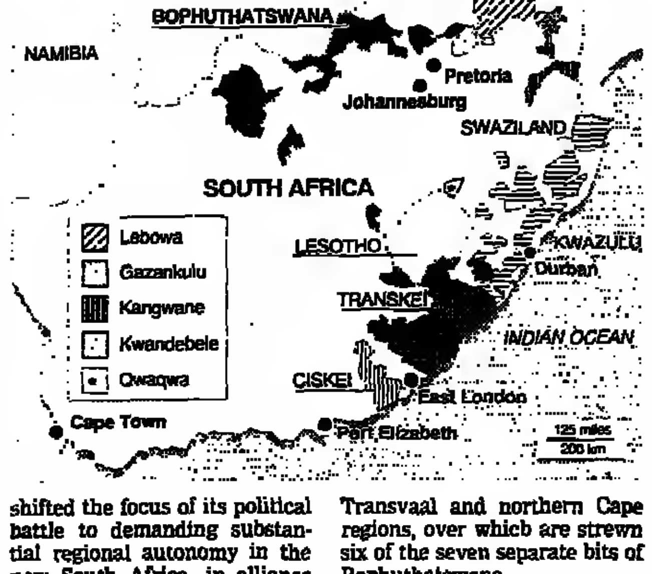
But however strong Bop's economic argument for remaining independent, the politics of the new South Africa will win out in the end. Bop officials continue to pay lip service to their demands for self-determination as a homeland for the Tswana people, and back their claims with historical arguments about how the British split their nation in 1910, making part of it a crown protectorate (Bechuanaland, now independent Botswana) and treacherously ceding the rest to the new South African republic. They argue that Bophuthatswana's independence from Pretoria only redressed this historical wrong.

Government officials – including Mr Mangope's eminence grise, Mr Rowan Cronje, former minister in the Rhodesian government of Mr Ian Smith and now Bophuthatswana's minister of state affairs, defence and civil aviation – insist Bop could "go it alone" as an independent state after South Africa is unified.

But realistically, the homeland could not survive with a hostile neighbour in the republic: along with the subsidy, Bop would lose another quarter of its budget if Pretoria cut off payments from the Southern African Customs Union, and remittances from half the homeland labour force, which works in South Africa.

The ANC, for its part, makes clear that no such subtle methods would be used if it were in power: ANC officials say privately that they would "finish Bop off" within days, if necessary through military means.

Faced with the inevitability of reincorporation, Bop has shifted the focus of its political battle to demanding substantial regional autonomy in the new South Africa, in alliance with right-wing Afrikaners who dominate the western Transvaal and northern Cape regions, over which are strewn six of the seven separate bits of Bophuthatswana.



As presently envisaged, Bop's dream of a "TswanaBoereland" is unrealistic: it would cover a huge chunk of South Africa, including some of the best gold mines, and would jealously guard mining royalties, company and other taxes for the regional government.

The ANC will grant only far more limited autonomy to this or any other region in the new South Africa, and a long battle lies ahead before a final deal.

A recent Amnesty report concluded that the Bop authorities "have continued to rely on their powers under security legislation to silence their opponents. Violent coercion has occurred through harassment, detention and torture of activists and use of excessive force against demonstrators".

In the end, Bophuthatswana must make its peace with the new South Africa and must make the best deal it can with the ANC; however stubbornly it clings to sovereignty – Bop recently opened its own information office in Latvia, of all places – its days of independence are surely numbered.

Morocco to ease exchange controls

By Francis Ghilès

MOROCCO has signalled its readiness to lift exchange controls on current account operations.

It has advised the International Monetary Fund that it wishes to comply with the IMF's Article 8, under which countries are also required to allow foreign investors freedom to repatriate their capital investments and remit their profits.

In a further liberalisation measure, private citizens will be entitled to higher foreign currency allowances than previously, allowing payment for medical treatment and education abroad.

Tunisia made a similar approach to the IMF over Article 8 early in January. The moves mark a big step for both countries towards liberalising their economies.

Clinton orders flexible rules for Medicaid

By George Graham in Washington

PRESIDENT Bill Clinton yesterday ordered his administration to relax controls on how states manage their portions of Medicaid, the national programme that provides healthcare coverage for low income families.

Mr Clinton told the National Governors' Association that he had ordered the Department of Health and Human Services to streamline its procedures for granting waivers from Medicaid rules for states which seek new ways of handling their healthcare problems.

Governors from both parties have complained for years that state budgets are collapsing under the burden of Medicaid, as the federal government imposes more and more requirements on them without providing the necessary funds.

Medicaid accounts for more than 12 per cent of general fund spending by states, and its ballooning costs are eating up revenue gains. The programme is expected to cost the federal budget $80.5bn (£53.3bn) this year, a figure the last administration projected would nearly double to $156.4bn by 1998.

Many states have tried innovative approaches to healthcare reform, but some complain that DHSS waiver procedures have slowed them unnecessarily. Some proposals, such as Oregon's plan to ration healthcare to a fixed list of medical procedures which produced real improvements in health, have been rejected.

The Clinton administration is committed to producing a comprehensive reform plan for the US healthcare system within 100 days, and the governors have urged their former colleague from Arkansas to leave as much flexibility as possible for states to devise their own solutions within a national framework.

The NGA has produced its own plan, endorsing the managed competition approach which is also expected to form the core of the administration's proposals. The governors also urge greater federal support for primary and preventive medicine, including an expanded programme of vaccinations for children.

The New York Times reported that Mr Clinton was considering a proposal for the federal government to become the sole buyer for vaccines, which it would then distribute free, to either public clinics or private doctors.

Amazon tribe urges expulsion of miners

By Christina Lamb in Brasilia

THE leader of the Amazon's largest surviving tribe yesterday protested to Brazil's President Itamar Franco about an invasion of illegal goldminers threatening his people.

Mr Davi Kopenawa Yanomami told Mr Franco that the Yanomami people faced extinction from diseases such as malaria and influenza brought into their territory by the *garimpeiros* (miners). He called for immediate action to remove the miners.

According to government figures 11,000 *garimpeiros* are operating illegally inside the reserve in northern Brazil where the remaining 9,000 Yanomamis live. Health Ministry officials recently withdrew from the area, warning of a repeat of the 1987 invasion which resulted in 1,500 tribespeople dying from malaria.

Mulroney damps rumours he will go

By Bernard Simon in Toronto

PRIME MINISTER Brian Mulroney of Canada has damp down speculation that he will resign before the general election later this year. However, his message, delivered to members of his Progressive Conservative caucus and to several possible contenders for his job, falls short of a commitment to stay.

Mr Mulroney is said to have told MPs that in the absence of an announcement that he is resigning, they should assume he is staying on. Some political observers still think it possible that the prime minister, who has held office since September 1984, will quit within the next month or two.

The Tories continue to lag far behind the opposition Liberals in opinion polls, and Mr Mulroney's personal popularity is at rock-bottom. The latest Gallup poll gives Liberals the backing of 49 per cent of decided voters, compared to 19 per cent for the Tories.

In preparation for the coming campaign, Mr Jean Chrétien, Liberal leader, last week began a series of speeches in which he plans to outline the results of an exhaustive review of party policy.

Mr Chrétien pledged that a Liberal government would reduce the federal budget deficit both in absolute terms and relative to gross domestic product. The Liberals would "seek to cancel" a C$4.4bn (£2.3bn) contract placed by the Canadian armed forces last year for European EH-101 anti-submarine helicopters.

Mr Chrétien has also promised to scrap the 7 per cent goods and services tax, introduced in 1991, which has proved one of the heaviest millstones around Mr Mulroney's neck. The Tories have challenged Liberals to specify how they would replace revenue generated by the GST.

Meanwhile, the government said yesterday that Mr Mulroney would meet US President Bill Clinton in Washington later this week.

Violence rebounds on Medellín

Colombia is taking a hard line in the battle on drugs, writes Sarita Kendall

THE HUGE blast that ripped through the heart of the Colombian capital on Saturday showed just how difficult it is for the government to protect the public from the random terror tactics of the Medellín drugs cartel.

The 20 people killed by the car bomb were mostly shopkeepers, street sellers and children.

Ten days ago two car bombs hit affluent office and middle-income residential zones in northern Bogotá, triggering intensive security operations, which led to the discovery of 1,500 kilos of dynamite.

The government has said it will not negotiate with Pablo Escobar, the leader of the Medellín drugs cartel, who it is assumed is responsible for the bombs, and there appears public support for the position. The drug and guerrilla violence which previously led people to support surrender negotiations and peace talks appears now to be rebounding on its perpetrators. The public approves of the increasingly hard line adopted by the government since the breakdown of the peace talks with left-wing guerrilla groups in the first half of last year and Pablo Escobar's escape from jail in July.

Colombian television newscasts are preceded by a string of photos showing the nation's most wanted men – guerrilla commanders, bombers, drug traffickers – and the rewards offered for information on them. This tactic has produced results, with two rebel leaders and six traffickers killed or captured as a result of tipoffs. A senior Medellín police officer said that over 10 solid tips are phoned in every day.

Letters from Pablo Escobar to the government, threatening further violence and demanding "political" treatment, have received short shrift. He has spent six months on the run from over 1,000 specialist troops in the Medellín area, and has failed to negotiate a new surrender; the Bogotá bombs are evidence of a new approach.

Pablo Escobar said he was forming an armed rebel group, and that all further dialogue should be carried out on the same terms as for guerrilla organisations. A government communique dismissed this as an attempt to disguise criminality as politics, in order to bargain for an amnesty.

Timothy Ross

A Colombian bus passenger is frisked for weapons by a soldier

Over the past year, the two guerrilla groups, FARC (the Revolutionary Armed Forces of Colombia) and ELN (National Liberation Army), have been found promoting poppy and coca growing, processing and transport operations. Police commanders say the Escobar organisation has also contracted many of its assassinations of policemen and car bombings to guerrilla units and members of the Medellín popular militias. This has dispelled most remaining doubts about the links between guerrilla and trafficking activities.

Under the state of emergency declared in November and extended for another 90 days last month, the government has stepped up military operations and introduced special legislation to attack sources of guerrilla funding. A new anti-kidnap law approved by the president also raises penalties and freezes assets of victims and their families – over 1,100 known kidnaps were carried out in 1992, the majority by guerrilla organisations.

The military and police budgets have increased substantially between 1991 and 1993, allowing the formation of new counter-insurgency companies, arms purchasers, higher wages and expanded intelligence networks. Economic targets such as oil and coal infrastructure are receiving greater protection and several bombs have been successfully defused in urban areas.

Despite guerrilla attacks, which brought oil exports to a standstill in November, reducing the country's growth rate, the government still calculates the economy grew by 3.3 per cent last year. While businesses cite security as their chief problem, the economic mood is more optimistic than a year ago. Companies have adapted to the regular power cuts and electricity rationing is gradually being reduced.

The economy thus continues to show the resilience it has demonstrated even through the 1980s when the rest of Latin America was suffering recession. Most independent analysts agree that 1993 growth should be between 3 and 4 per cent and expect the 25 per cent annual inflation rate to drop by another 2 percentage points or so. According to Mr Eduardo Lora, director of the economic research group Fedesarrollo, higher public spending, private investment projects and the oil industry will all help growth.

The government is starting 1993 with a sweeping modernisation programme designed to streamline state institutions in line with the economic liberalisation of the last three years. Apart from abolishing some entities and restructuring others, the programme involves cutting some 23,000 jobs, which is generating hostility among labour unions. A national strike of public employees, including teachers, has been called for mid-February.

None of this has done much to improve the popularity of President César Gaviria, which sank after power rationing was introduced and Escobar escaped from jail. However, political attention is even now shifting away from Mr Gaviria to the candidates for next year's presidential elections.

Investors shunning developing countries

By David Dodwell, World Trade Editor

DEVELOPING countries have been increasingly marginalised by foreign investors over the past decade, with their share of global inflows falling from 25 per cent to 19 per cent, according to an Organisation for Economic Co-operation and Development report.

Just 10 countries - led by China and Hong Kong, Singapore, Brazil and Mexico - accounted for three-quarters of the inflow.

This occurred at a time when dwindling access to bank lending increased developing countries' reliance on foreign investment.

Overall, the report says, the restoration of steady non-inflationary growth in the world economy is a prerequisite for maintaining the 1980s' unprecedented pace of investment growth.

The decade saw Japan emerge as the world's leading foreign investor, with a strong shift towards investment in services aod high-technology industries.

The report notes that the impetus for a quadrupling of investment from $48bn in 1981 to an average of $188bn in 1989 and 1990 was economic growth, market integration, the globalisation of business, the growth of regional economies, and technological innovation.

What happens in the 1990s will depend largely on these factors, it adds.

While foreign investment has been closely linked with deregulation, privatisation and the dismantling of monopolies "on an unprecedented scale", the report says a number of sectors remain "sealed off" from foreign investment and competition.

These include basic telecommunications, transport, public utilities such as gas, electricity and water, and sectors of "special economic interest" such as mining, oil and gas, and electricity.

International Direct Investment - Policies and Trends in the 1980s. OECD.

The big guns: General Dynamics has taken a slice of the lucrative arms market with the Abrams tank (left), while GKN hopes for a $1.2bn order for its Warrior armoured personnel carrier

Kuwait cashes in on its $10bn defence prize

But the emirate's insistence on reinvestment is taxing foreign contractors, writes Mark Nicholson

THE Arabian peninsula has become, since the Gulf war, the most lucrative arms market in the world, but it is also becoming the toughest.

Kuwait, alone, is proposing to spend more than $10bn (£6.6bn) on arms procurement by the end of the decade. But, faced with a rash of other spending needs, it is insisting that 30 per cent of the value of any defence contract be reinvested in the emirate.

Defence contractors will not be alone in searching out investment openings, since Kuwait wants all contracts worth more than KD1m (£2.1m) to return 30 per cent in reinvestment. That would generate investment exceeding $3bn over the next seven years, making the "offset" scheme the biggest such programme anywhere.

By comparison, the offset target set by the Saudi Arabian government for the al-Yamamah project, a deal worth $30bn-$40bn, is $1bn of reinvestment by British Aerospace and other contractors over a decade.

Even this target is proving hard to meet. After five years, 12 projects have been approved but just one implemented - a £10m Glaxo pharmaceutical manufacturing plant.

It is not surprising that Kuwait's offset proposals are boggling the minds of defence contractors. "It's a phenomenal task," says one western official. "There's very little here to invest in."

Kuwait's ability to absorb foreign investment has been further diminished by the effects of the war. According to local economists, wartime damage to Kuwaiti businesses, the government's decision to cut the state's population from 2.2m to 1.4m, and low business confidence have seen the non-oil economy shrink by as much as 40 per cent.

The National Bank of Kuwait, the emirate's biggest, concluded in its latest economic bulletin that "given the new realities of reduced size of population, high priority assigned to rebuilding defence infrastructure and restoration of the oil sector, businessmen dealing with Kuwait will have to scale down their expectations of upcoming major projects, at least for the coming two years".

But Kuwait's government hopes the offset programme will make up for the paucity of locally-inspired investment.

In particular, the scheme aims to encourage investment in education and training for Kuwaitis, high-technology industries, and joint venture manufacturing and assembly plants capable of exporting throughout the Gulf.

After the war the government allowed Kuwait's non-oil industries to lie moribund. It has now changed tack and reverted to its pre-war policy of seeking to diversify as much as possible away from oil.

Accordingly, the offset scheme's architects at the Finance Ministry have devised a "multiplier" system as an incentive to steer investment into target areas.

Any sum invested, for instance, in a training project would be multiplied fivefold so that a $10m investment would count as $50m worth of offset. Investment in research and development carries a multiplier of three.

Recognising that few contractors relish the administrative hurden and complexity of offset programmes, the ministry has added other incentives. The scheme will in some cases permit foreign companies to set up majority-owned joint ventures in the Gulf state; the government has hitherto insisted that Kuwaiti interests in any joint venture must always exceed 50 per cent.

In the end, however, the incentive for foreign contractors is simply the huge bounty offered by Kuwait's defence programme. "Companies will sign up readily because they want to do the deal, then worry about the problems of finding investment later," says a US official.

Hughes Aircraft Systems, the US defence group, has been first to bite. Last month it undertook to find reinvestment worth $27.6m on a $93m contract to supply an early warning system. Raytheon, which has a $370m contract to supply five Patriot missile batteries, is discussing a $120m offset commitment. So far neither company has submitted specific investment proposals.

Kuwait's biggest arms deal since the war, General Dynamics' $2bo contract to supply 236 M1A2 Abrams battle tanks, will not carry a full 30 per ceot offset quotient, though, as the deal falls under the auspices of tha US foreign military sales structure, wherehy Kuwait will receive the equipment at the same price as would the US military.

Kuwait's next large military purchase is likely to be armoured personoel carriers, a deal British officials hope GKN will secure, with a possible $1.2bn order for up to 300 Warriors.

British Ministry of Defence officials are already looking at ways to set up a structure to manage the offset, perhaps through an assigned offset office in Kuwait or London.

But, as one US official remarks, British, French and other international defence groups competing for a share of Kuwait's $10bn defence prize should not spend too much time examining potential offset deals.

"The US firms were wise to get off the mark first," he says. "Kuwait is going to run out of investment opportunities pretty quickly."

China condemns Nafta as threat to global trade

THE North Americao Free Trade Agreement (Nafta) is a threat to the global trading system and could shrink the amount of capital and technology flowing into China, a leading Chinese oewspaper warned yesterday, Reuter reports from Beijing.

The economic grouping of the US, Canada and Mexico is a blow to the General Agreement on Tariffs and Trade (Gatt), according to the Guangming Daily. China should counter the threat hy gaining a foothold io the North American market before Nafta formally takes effect next year.

The paper said trade with North America accounted for 12.26 per cent of China's total, excluding a hnge volume of trade that passed through Hong Kong. The US is a key sonrce of capital and technology.

China and Mexico prodnce many similar goods for export. The newspaper argued that Mexican manufacturers would enjoy a competitive advantage within Nafta.

China is pressing hard to be allowed back into Gatt, which it quit after the Communists took power. It has adopted a series of market-opening measures over the past year and is strengthening copyright protection laws.

HK airport reclamation contract awarded

THE government awarded a HK$2.6bn (£216m) contract yesterday to a consortium of Chinese, Australian, Dutch and local companies for reclamation work for Hong Koog's new airport project, AP reports from Hong Kong.

A government statement described the contract with China's State Construction Engineering, Australia's Leighton Contractors the Netherlands' Van Oord Acz and Hong Kong's Lau Chenng Kee Marine Engineering as a key part of the $10.6bn project.

The contract calls for reclamation of 90 hectares of sea bed and about 800 meters of sea wall at West Kowloon peninsula to provide for transport links for the oew airport.

China has criticised Britain for going ahead with the construction of the airport without first ohtaining Beijing's consent on the project's cost.

Hungary and Efta in trade accord

Hungary and the seven memhers of the European Free Trade Associatioo have concluded a free trade agreement after more than two years of difficult negotiations, Frances Williams writes from Geneva. The accord, initialled at the weekend and due to come into force on July 1 covers free trade in industrial goods, processed agricultural goods, fish and other marine products.

Ericsson expands Japanese presence

Ericsson, the Swedish telecommunications group, has further increased its presence in Japan through a $70m contract with Kansai Digital Phone Co for the expansion of the mobile telephone system in the Osaka regioo, Christopher Brown-Humes reports from Stockholm. The order follows an earlier SKr600m (£55m) contract from the same Japanese company and will approximately douhle the subscriber capacity of 75,000 envisaged under the first deal.

Guinness trial charges reduced

By John Mason, Law Courts Correspondent

THE prosecution of Mr Thomas Ward in the final Guinness trial was scaled down yesterday when two of the three charges he faced were dropped for lack of evidence.

The charges, dropped on the order of the judge, alleged that Mr Ward, the US attorney and former Guinness director, was guilty of false accounting and dishonestly procuring the execution of a valuable security in relation to the £5.2m he received after the company's 1986 takeover of Distillers.

Mr Ward still faces a third charge, which he denies, alleging that he stole the £5.2m from Guinness.

At the start of his defence, Mr Ward told an Old Bailey jury that Mr Ernest Saunders, the former Guinness chief executive, had agreed he should be paid a fee that was "in the millions" for his contribution to the takeover.

The two men agreed this after the Guinness bid had been referred to the Monopolies and Mergers Commission, apparently ending all prospect of the bid succeeding.

Mr Saunders had been unhappy and depressed at the news. His advisers had told him there was nothing he could do about it and had moved on to work for other clients, Mr Ward said.

Mr Ward agreed to search for a solution but insisted he be guaranteed payments of a size similar to those being paid to Guinness's other advisers such as and merchant bankers Morgan Grenfell, the court heard.

The trial continues today.

Lloyd's syndicates face £924m loss for 4 years to 1990

By Andrew Jack and Richard Lapper

GOODA WALKER syndicates at Lloyd's of London suffered losses of nearly £924m in the four years up to 1990 – possibly the largest ever experienced on the insurance market – according to estimates released yesterday.

An interim report from GW Run-Off, the agency managing the defunct syndicates, showed substantially increased losses for 1989 of £621m – or nearly 30 per cent of losses across the entire Lloyd's insurance market for the year.

Some 4,000 Names – the individuals whose assets underwrite the market – on the seven Gooda syndicates also received initial estimated losses for the 1990 underwriting year of £188m.

Mr Michael Deeny, chairman-elect of the Gooda Walker Action Group, said last night: "This is absolutely horrific. It's larger than we expected and very depressing for Lloyd's Names."

But Mr Ralph Sharp, chairman of GW Run-Off, warned that the estimates could still increase substantially because they took no account of losses from asbestosis and pollution or allowances for the collapse of reinsurance companies.

In a measure of the difficulty facing Names trying to meet their commitments to the syndicates, the report showed that only two-thirds of the £598m in calls made from syndicates during 1991 and 1992 had been received by the end of last year.

Syndicate 387 alone posted losses of 750 per cent of its underwriting capacity for 1989, the last year in which it wrote insurance business and the highest ever proportion on a Lloyd's syndicate.

The other syndicates – 164, 290, 295, 296, 298 and 299 – showed losses of between 5 per cent and 150 per cent in the years 1986-90.

Additional costs for 1986-89 rose by £142m, of which £46m was attributed to exchange rate losses and £24m was in further reserves against claims connected with Hurricane Hugo.

GW Run-Off said it was investigating several aspects of the management of the Gooda syndicates, including under-reserving – making insufficient provision against possible losses – on syndicates 164 and 290, and bonuses and salaries paid to former staff and a fleet of cars charged to syndicate funds.

The report criticised Lloyd's for charging £12m in interest payments at 5 per cent over UK base rates on overdrawn money held with the market. Mr Sharp called the charges "excessive".

But Lloyd's defended its decision, which it said had been reviewed as recently as December. It also said the losses were in line with the estimates it had calculated late last year, and was confident these could be supported within the Central Fund, which meets claims that Names are unable to meet.

Mr Deeny said that Names were to issue writs alleging negligence against Gooda Walker and other agencies within the next month and were confident that they had a strong case.

● MSF, the office staff union, is threatening legal action to prevent de-recognition of the union by Zurich Insurance Company when it takes over the troubled local authority insurer, Municipal Mutual Insurance.

The union fears that de-recognition could give Zurich "a free hand to rationalise without consultation".

Trading outlook 'remains ominous'

By Michael Cassell, Business Correspondent

THE trading outlook for UK companies remains "ominous", with under-capacity, cancelled orders and cash flow problems still rife, according to a survey by Trade Indemnity, the credit insurance group.

The survey, conducted among nearly 600 companies during December 1992, contradicts some other, recent findings suggesting that industry may be slowly moving out of recession.

"We continue to express fears that the frost may yet get the green shoots", a Trade Indemnity spokeswoman said.

"There is still plenty of gloom out there and the pessimists' views are supported by the damage being done to cash flow by seemingly insurmountable late payments problems", she added.

According to Trade Indemnity, there has been little change in overall activity levels among Britain's businesses. Thirty per cent of companies say they are working at less than half capacity and most believe that immediate prospects for any improvement remain bleak.

Nearly half of the companies surveyed – covering all sectors of the economy and with annual turnovers ranging from £1m to more than £50m – do not expect any upturn in activity in the first three months of 1993.

The company, which continuously monitors the financial health of thousands of businesses, also warned that companies remain vulnerable to any economic upturn.

It said that growing numbers of companies, confronted with continuing, high levels of cancelled orders, are still reducing the levels of stocks of raw materials, work-in-hand and finished goods.

When orders started to pick up, the rate of company failures – already at record levels – could rise further, Trade Indemnity added.

Materials price rises hit builders

PRICES of plasterboard – widely used in construction and home improvements – are set to rise for the second time in eight months, writes Andrew Taylor. The move is likely to increase builders' fears of further price rises as the economy recovers.

Contractors which have taken jobs at fixed prices, simply to cover overheads, could face damaging losses.

British Steel and Pilkington, which supply steel and glass for construction, both announced price increases in the past three weeks. Prices of some imported timber used in construction have also risen after sterling's devaluation.

BPB Industries of the UK, Europe's biggest plasterboard producer, says it will raise some prices by more than 10 per cent from next month. Lafarge Coppée of France and Knauf of Germany, which with BPB supply almost all the plasterboard in the UK, are expected to follow BPB's lead.

An artist's impression of the Forth estuary in the east of Scotland shows the two existing crossings – the rail bridge on the right, the road bridge in the centre – and the proposed second road bridge on the left, which would cost about £275m to build

Second Forth road bridge planned with private funds

By James Buxton and Andrew Taylor

A SECOND road bridge across the Firth of Forth estuary in the east of Scotland could be built by the end of the century, Mr Ian Lang, Scottish secretary, said yesterday.

Mr Lang announced that feasibility studies are to be conducted into building a privately funded bridge alongside the existing Forth road bridge with associated road links, as well as into a scheme for a rapid transit system linking the bridge and Edinburgh airport with the centre of the city.

Several construction companies have already indicated that they are interested in building the bridge and roads. The government envisages that both projects be funded from tolls levied on the existing and the new Forth road bridges.

The new bridge would cost about £275m and new roads linking the bridges with the existing Edinburgh bypass and the M9 motorway, as well as improvements to the M90 on the north side of the crossing, about £100m, Mr Lang said.

The Scottish Office also proposes that British Rail builds new stations both on the north side of the crossing in Fife and on the south side to improve rail traffic across the Forth.

Mr Lang said that tolls on the bridges would be set at the equivalent of the 2s 6d levied when the first road bridge was opened in 1964. That would mean a toll at today's prices of £1.25 compared with the present toll of 40p. The toll on the present bridge might be increased while construction of the new bridge was underway to help finance the project and act as a deterrent to unnecessary journeys.

Miller Group, the Edinburgh-based construction company, announced that it was forming a consortium with John Laing and GTM-Entrepose of France to bid for the contract to build the bridge and the associated roads. Bank of America would arrange finance.

Construction groups Balfour Beatty and Trafalgar House together with merchant bank Kleinwort Benson are also understood to be considering bidding for the project. Other groups expected to be interested include Sir Robert McAlpine and Tarmac.

Trafalgar House and Kleinwort were partners on the privately financed Dartford toll bridge across the River Thames and are working on the privately financed Birmingham northern relief road; John Laing and GTM-Entrepose are jointly building the new Severn bridge which also is being financed privately. Industry observers believe that about six or seven groups may bid for the contract. The Scottish Office would select the winner from a shortlist of three.

Mr Lang implied that completing the project by 2000 was optimistic, although it could be done if the feasibility studies were completed in two to three years, and the bridge built in four years. The capacity of the existing road bridge would be exhausted by the end of the century.

Britain in brief

Banks face scrutiny over data

Banks may be evading their own code of practice and breaking the law in the way they obtain permission from customers to use personal and account details, the office of the Data Protection Registrar said.

Mr John Lamidey, assistant data protection registrar with responsibility for financial services at the DPR, said he was seeking a meeting with the British Bankers' Association to raise concerns over how banks were obtaining and using data.

Mr Lamidey said he was worried about the methods some banks appeared to be using to ensure that their customers gave permission for banks to send them details of financial services and to try to sell them other products.

He added that clauses in some application forms which say that a customer must allow personal financial data to be used by all the bank's subsidiaries could be in breach of the banking code of practice introduced last March.

He said that he was examining whether they contravened the first principle of the Data Protection Act, which says information held on computer databases must be obtained and processed fairly and lawfully by companies.

Enterprise federation

Britain's 300-plus enterprise agencies, which provide advice to new and small businesses, have established a national federation to represent their interests.

Business in the Community, which co-ordinates community activity by large companies, acted as an informal umbrella organisation for the agencies until last June when it announced plans to end the special relationship. Sir Graham Day, chairman of Cadbury Schweppes, has agreed to become the national federation's founding president.

Training 'ad hoc' in textiles

Textile and clothing companies should invest more in training managers, according to a report by Lancaster University's textile industry research group.

Training systems in textiles and clothing are better organised in Germany, Italy and France, the report says, while training provision in Britain is closer to the ad hoc and relatively poorly co-ordinated systems in Greece, Portugal and Spain.

Bank declares ban on smoking

The Abbey National bank – one of Britain's biggest employers – announced a total smoking ban in all its offices and 700 branches.

It said it would be offering an interest-free loan of up to £200, repayable over six months, to enable smokers among its 16,000 workers to have anti-smoking therapy. The bank said more than 80 per cent of staff were non-smokers.

Pools tax cut recommended

Reduced tax on football pools and a low rate of tax on the new national lottery would be the best combination for all concerned, including the government, a study commissioned by the Sports Council concluded.

London Economics, the consultancy, found that a 7 per cent tax on National Lottery proceeds would benefit the five nominated good causes, the lottery players and the government.

ITC to consider city TV stations

The Independent Television Commission will examine the possibility of separate commercial city television stations following its decision not to award a single national Channel 5 franchise.

The study will consider what to do about Channel 5 after the rejection of the only application from Channel 5 Holdings, a venture backed by Thames Television and Time Warner.

The original plan drawn up with the government was to use 33 transmitters, allowing 74 per cent of the population to receive the channel. The winner of the franchise would have had to pay for the retuning of millions of video recorders. The ITC will examine using different frequencies, removing the need for most retuning.

NEWS: UK ECONOMY

■ Sunday newspaper story dismissed ■ Support for Lamont wanes ■ Major acts to boost government's credibility

Officials hasten to deny rumours of policy rift

By Peter Norman, Economics Editor

YESTERDAY was a day that had the government's spin doctors in a spin.

Number 10 Downing Street and the Treasury were working flat out to assure the world that there were no economic policy differences between Mr John Major, the prime minister, and his chancellor, Mr Norman Lamont.

For the second day running government officials were denying a story in The Sunday Times that Mr Major had taken overall charge of economic policy and was aiming to cut bank base rates to 4 per cent.

Instead the prime minister's office, the Treasury and Bank of England underlined that last week's surprise cut in bank base rates to 6 per cent from 7 per cent was an act of policy that had been thought through and agreed among the UK monetary authorities. And so it appears to have been.

A sharp fall in sterling in Far East trading early yesterday forced the government to reiterate its unusually explicit denial of a single newspaper story. For reasons not altogether clear, reports on the UK economy in The Sunday Times tend to exert a powerful influence over foreign exchange market trading in Tokyo.

But the intensity of the government's publicity offensive pointed to the bigger problem of faltering credibility that has dogged the rebalancing of UK economic policy and the person of the present chancellor since Britain left the European exchange rate mechanism on September 16 last year.

Rumours and suggestions that UK policy is being made "by the seat of the pants" and that the prime minister, rather than the chancellor, is in the driving seat have been around for some time. As far as any dispassionate observer can tell, they do not apply in these circumstances. But the confusion surrounding last Tuesday's cut of 1 percentage point in bank base rates to 6 per cent gave them a new lease of life.

The government story, rehearsed a week ago and repeated yesterday, is that the base rate cut was agreed in principle by Mr Major and Mr Lamont in the week before the final decision on January 26. Since then, there have been numerous reports suggesting that the prime minister was the driving force behind the reduction.

Downing Street yesterday denied that the cut was Mr Major's doing and said it was suggested by Mr Lamont. An official who took part in the meeting between the prime minister and the chancellor said it was a good-humoured affair in which both men agreed that the rates should be cut and that the timing should be left to Mr Lamont.

It was the timing and execution of the cut that ran into difficulties, illustrating that the chancellor is, if nothing else, accident-prone.

A good time to announce the cut would have been when the big increase of 60,800 in the December unemployment figures was made known on Thursday January 21. However, the authorities had other things on their minds – they were gearing up to announce the appointment of Mr Eddie George as next governor of the Bank of England.

Having missed that opportunity, Monday January 25 would normally have been the occasion for the Bank of England to begin softening up financial markets to expect a cut. However, this proved impossible, because of technical difficulties on the domestic money market caused by a shortage of bills in the hands of the discount houses.

Because the Bank of England was unable to push rates lower in its money market dealings, it took the unusual step of announcing a minimum lending rate of 6 per cent on January 26. There was a whiff of panic about this move for those who were unaware of the money market problems. Concern about the government's action was fuelled by anger among the marketmakers in gilt-edged stock who had been positioning themselves for a large auction of new government bonds the following day and found themselves carrying large capital losses following the Bank's move.

Mr Lamont's presentation of events was not helped by the curious conventions of purdah, the period of self-imposed exile from the press and public events that Treasury ministers and officials undergo each year before the Budget. The last on-the-record interviews given by the chancellor had given the clear impression that he was reluctant to cut interest rates for fear of breaching the government's target of holding underlying inflation within the 1 per cent to 4 per cent range for the life of the present parliament.

His isolation from the media, together with that of Treasury ministers such as Mr Michael Portillo, the chief secretary, and Mr Stephen Dorrell, the financial secretary, made the eventual rate cut all the more difficulty to sell as a considered act of policy.

There was no discussion among officials and policymakers about a more drastic lowering of borrowing costs than the 1 percentage point cut.

The government was, and is, concerned not to trigger a free-fall of the pound for fear of increasing imported goods prices and putting its inflation target in jeopardy.

The US approach of bringing short-term interest rates down to 3 per cent has not been considered relevant to UK conditions, in spite of the length of the recession. UK officials say the drastic cut in US interest rates was aimed largely at preventing a "credit crunch" in the US banking system and geared to building up US bank profits. US interest rates charged to the consumer have fallen far less than those at which the banks borrow from each other.

The irony of the latest rate cut is that Mr Lamont went ahead with his decision with the specific aim of boosting confidence in the economy after hearing bad news of rising unemployment, falling output and declining retail sales in the latest batch of government statistics. The controversy that has surrounded government policy over the past week will have done nothing to help his goal.

'Lame-duck' chancellor is set for summer departure

Many Tories hope the tenant of 11 Downing Street will soon be ejected, says Philip Stephens

DENIALS from Downing Street are no longer enough. The public support offered by Mr John Major yesterday did nothing to disguise the weakness of his chancellor.

In the eyes of his colleagues on the Conservative benches at Westminster, Mr Norman Lamont is a lame duck. He has the office of chancellor but he lacks its political authority.

That is not the assessment of political enemies but rather of a broad swathe of the Tory party – ministerial colleagues among them. It is impossible to find more than a handful who expect him to remain in No 11 after the summer.

There is a chance they are wrong. The atmosphere which seeps from the lobbies, bars and corridors of Westminster is notoriously febrile. The mood of Tory MPs swings from euphoria to despair with alarming speed.

It is hard to recall that Lord Lawson, blamed widely among Conservatives for the country's present economic mess, was not so long ago acclaimed as the architect of an economic miracle. The Tory party is never slow to erect pedestals for its leaders. It is equally quick to demolish them.

Mr Lamont has first-hand experience. He was attacked for his economic policy before last year's general election; praised for the same policy after it.

In the wake of sterling's ignominious exit from the European exchange rate mechanism last September many thought he should resign.

But the interest rate cuts which followed and the growth strategy in November's Autumn Statement brought a reprieve, even a brief moment of acclaim.

By January Mr Major had rejected the advice of friends to switch the chancellor to the Home Office in a pre-Budget reshuffle. His decision reflected a combination of stubborn loyalty and his concern not to upset the political balance of his cabinet.

Mr Lamont had skilfully aligned himself with the Eurosceptics. His departure would have given dangerous ammunition to the opponents of the Maastricht treaty.

But keeping him carried a price.

The two most precious commodities for any chancellor are the confidence of the City and Westminster and the instinctive trust of the prime minister.

The uncomfortable truth is that the Tory party no longer has faith in Mr Lamont's ability to deliver the economic recovery he has promised so often. His political peers are quite happy to believe he is reading a script written in No 10. And in politics, perceptions often count for more than reality.

A throwaway remark from a middle-ranking minister catches the general mood: "I don't blame Norman but I don't know anyone in the party who thinks he is an asset as chancellor." A backbench colleague is more blunt: "He should be allowed to deliver the budget and then packed off to the Home Office."

Cabinet colleagues are not briefing against the chancellor. But they make little pretence of expecting him to stay on for more than a few months. Instead they tend to shrug their shoulders, pause and then speculate about his successor.

Other ministers suggest he plays a muted role in cabinet discussions which go beyond a narrow definition of Treasury interests. Mr Kenneth Clarke, the home secretary, and Mr Michael Howard, the environment secretary, are established as front runners for the succession. Mr Norman Fowler, the party chairman, has joined Mr John MacGregor, the transport secretary as possible "compromise candidates".

There is some sympathy for Mr Lamont. The disintegration of the ERM strategy was a collective rather than an individual failure of government. Sympathy, however, does not easily translate into confidence.

A graphic example of the chancellor's weakness came last week in the typical reaction on the Conservative benches to the latest cut in interest rates. Instead of the applause he might have expected, Mr Lamont instead found the move greeted with deep suspicion: had he been panicked into the move or had Mr Major demanded it?

There is no evidence of personal animosity between the two Downing Street neighbours. Neither has yet formed a fixed view on the shape of the Budget. Their meetings are described by insiders as perfectly amicable.

But that is only half of the story. Mr Major and Mr Lamont have never been close political friends. If there is little animosity between them, there is no instinctive rapport. As one insider puts it: "They have to work at it."

The prime minister knows that his premiership hangs on securing economic recovery before the recession does irreparable damage to public finances. So it is hardly surprising that he is taking a keener than usual interest in the Budget and has taken the lead in promoting a new industrial strategy.

But tacit acknowledgement by Mr Major's aides that he has been driving policy is hard to square with public pronouncements that Mr Lamont is in charge.

Downing Street sees the risks on financial markets of a public rift. Mr Major has acted to bolster Mr Lamont's standing. But it may be too late. Public expressions of confidence in the chancellor serve only to underline his weakness. Too many at Westminster remember Mrs Margaret Thatcher's description of Mr Nigel Lawson as "unassailable".

Norman Lamont: many Tories believe he lacks the authority needed for the office of chancellor

Abbey National widens margins

By Scheherazade Daneshkhu

ABBEY National, the second-largest mortgage lender, yesterday said it was widening its margins by cutting interest rates on some of its accounts by more than the cut in its mortgage rate announced last week.

The bank, which shed its building society status in 1989, is cutting gross rates by 0.95 of a percentage point on the highest band (£25,000 plus) of Instant Saver, its instant access savings account, and by 0.7 of a point across the board on its High Interest cheque account.

Its interest-bearing current account will continue to pay 0.5 per cent gross.

The bank's mortgage rate was reduced by 0.51 of a point to 7.99 per cent on loans of less than £60,000 in response to last week's 1 point fall in base rates.

Abbey National said it had to widen its margins. If it had passed on to borrowers the full base-rate reduction, it would have had to cut savings rates by even more. It suggested that cuts to its 90-day savings account would not be as great as on Instant Saver.

Rates on lower balances in the Instant Access account are being reduced by smaller percentages.

The reduced savings rates come into effect today while existing borrowers will have to wait until March 1 for reductions to monthly mortgage payments.

Scientists warn of rise in jobless

By Clive Cookson, Science Editor

URGENT government action is needed to regenerate British industry, an all-party alliance of politicians, industrialists and scientists warned yesterday.

The Parliamentary and Scientific Committee said: "Without change, we shall at best become a manufacturing arm of Japanese, American and German companies, whose governments have for years taken a more positive attitude to science and technology and to manufacturing industry than UK governments. At the worst, this will lead to chronic mass unemployment with ensuing community unrest and instability."

The committee does not usually directly advise the government but it has sent its report to the prime minister and ministers responsible for industry, science and education.

Its warning follows a conference on Japan's emerging lead in technology, which the committee organised with the Royal Society.

Sir Gerard Vaughan, chairman, said: "The message from the conference was clear and extremely disturbing: unless we make major changes, this country will become largely a labour market for other countries, without an adequate manufacturing base of our own. This will be disastrous for our future prosperity."

The committee points out that the combined research and development expenditure of five Japanese companies – Hitachi, Toyota, Matsushita, NEC and Fujitsu – matched all such private-sector spending in the UK.

It says: "The government must manifestly exert leadership in promoting recognition that science and technology are a crucial part of manufacturing industry and that both are essential for this country's future."

Experts at odds on pound's value

By Emma Tucker, Economics Staff

THE relative value of the pound is not something on which economists easily agree. The latest slide in sterling has done little to narrow their differences, and the arguments about whether the UK's currency is overvalued or undervalued continue.

Last year, before the UK left the exchange rate mechanism and floated the pound on the foreign exchanges, the Treasury plus a number of City and academic economists argued that the pound was correctly valued at a central rate of DM2.95.

Their main argument was that the price of tradeable UK goods was roughly on a par with European goods, converted at the exchange rate prevailing then.

Others argued that DM2.95 was too high, and was pricing UK goods out of the international marketplace. They pointed to the size of the UK's visible trade deficit in the middle of a recession as evidence that manufacturing industry was unable to compete against Europe.

The latest drop in the pound to around DM2.38 puts sterling about 15 per cent below its old ERM floor of DM2.778. Predictably enough, some of those economists who thought the pound was correctly valued before devaluation now argue that the exchange rate has slipped too far and will lead to higher inflation.

Others are looking for it to fall even further before industry can regain international competitiveness.

Mr Bill Martin, chief economist at UBS Phillips & Drew, believes that the pound needs to fall to roughly DM2.00 and to parity against the dollar, over the medium term, before the country can deliver reasonable growth levels and relatively low unemployment. Low inflation would be delivered by the government acting to restrain consumer spending.

But Mr Peter Spencer, chief economist at Kleinwort Benson, says there is already evidence to suggest that the UK currency is heavily undervalued against the European currencies, if fairly valued against the dollar.

"You only have to look at some of the industry location decisions which are being taken at the moment, such as Hoover's decision to close its factory in Dijon, in France, and concentrate on its factory in Scotland," he says.

Economists will continue to disagree as long as different ways exist of assessing the currency's value.

Those who argued that sterling was appropriately valued at DM2.95 when Britain was in the ERM were using the "purchasing power parity" valuation method. This states that the correct exchange rate between any two currencies is the one that equalises the price of the same traded item in both countries.

The problem with this method is that it ignores other economic fundamentals, apart from export prices, which determine whether a currency is valued at a sustainable level on the foreign exchanges.

Thus Mr Martin argues that the PPP method gives a misleading view of a currency's value.

It is all very well for the companies that have survived to price their goods on a par with Europe and the US, but that ignores those companies that went out of business in the 1980s, unable to compete with the pound at that level.

The other method for assessing the value of a currency is to use macroeconomic models to estimate the exchange rate at which the economy can return the trade account into balance in the medium term.

The two methods tell very different stories. For example, the PPP method suggests that the D-Mark is overvalued, while the second method suggests that the currency, given Germany's large trade surpluses during the 1980s, was undervalued.

It is probable that they will continue to tell a similarly inconsistent story about sterling as the latest drop in the currency makes its mark on the economy.

How European slowdown is blocking exports

Paul Cheeseright looks at why devaluation has failed to deliver the hoped-for competitive edge

THE EXPERIENCE of the West Midlands suggests that the competitive advantage given by sterling's devaluation is being blunted by the slowdown in other European economies, especially that of Germany.

The slowdown in these economies is diminishing opportunities for a sustained increase in manufactured exports.

Mr David Botterill, chief executive of the West Midlands Engineering Employers' Federation, said: "On balance, those companies that have established export positions are finding it [the devaluation] favourable and a counter to any diminution in these markets. For those with less established positions its not clear whether increased inquiry is translating itself into orders."

Market pressures in the larger European economies are increasing. Mr Eddie Kirk, chairman of Frederick Cooper, which exports specialist metal coatings and rubber products to Germany, said that devaluation would change nothing overnight, but German companies were "more ready to take price cuts to hold on to their market share" because home demand for German manufacturers was falling.

Devaluation poses problems for pricing policy. Sterling has been trading at about DM2.40 until this week, compared with its previous ERM floor of DM2.778. Mr Kirk doubted the wisdom of pricing at present exchange rates.

The calculation at Frederick Cooper is that, in the medium term, sterling will recover against the D-Mark as German interest rates come down. For Mr Kirk pricing at DM2.70 is a realistic rate. But it eliminates some of the competitive advantage.

Mr Stephan Hayes, finance director of Bromsgrove Industries, explained that with automotive component exports, devaluation has "enabled us to secure the larger share of contracts which are overseas-based, where we're on a dual source". Bromsgrove is finding its share of a supply schedule raised while that of, say, an Austrian company, is diminished.

Yet customers are not prepared to allow UK companies the full margin of improvement implicit in the devaluation. Mr Hayes said: "Buyers are not fools." Buyers observe the potential ability of UK companies to make greater sterling profits at the same selling price and push for price reductions.

Mr Stephen Birch, export sales manager of Kenrick & Jefferson, the security printer, said that in price negotiations long-standing customers are telling the company that the effect of devaluation should be taken into account in the agreed selling price.

On the other hand prices of imported materials are rising. Hampson Industries reported that the sudden change in foam and fabric import prices for its furniture division forced it to offer its customers higher delivery prices or delayed deliveries while it re-sourced its materials.

MANAGEMENT: THE GROWING BUSINESS

BBC's capital venture

These are venturesome times. Prime Minister John Major returns from India and makes a plea for industrialists to become "merchant venturers" while BBC 2 launches a prime-time series on venture capital entitled The Adventurers.

The six-part TV series follows a year in the life of Grosvenor Venture Managers, a medium-sized company which will back most deals apart from start-ups. The series provides an intriguing picture of a little-understood financial sector.

A problem is that while the fly-on-the wall technique is good at conveying impressions it falls down on explanations. Why should the BBC be devoting six Sunday evenings to venture capitalists? What is their contribution to the economy and how are they different from bankers - apart from driving smarter cars?

This last question is crucial to the debate going on within pensions funds, banks and the venture firms themselves on whether venture capitalists earn their keep.

What is the viewer to make of venture capitalists from the first two episodes? They do not appear to lead lives which are obviously more exciting than those of many other City professionals though episode two conveyed the brinkmanship involved in some of their deals.

Despite the liberal use of Grand Prix scenes, episode two could only confirm the essentially humdrum nature of the game. The buzz provided by the Troubleshooter series is lacking, presumably because investing money is less visual than making sports cars or brewing beer.

The Adventurers was conceived at a time when venture capital still retained something of its buccaneering image for backing start-up, high-technology businesses. It has reached the screen at a time when a growing number of those involved are only too happy to drop the venture tag and settle for the more prosaic title of provider of private equity.

CB

Cutting red tape

AFTER nearly 30 years with the same accountant, Ellen Lunn recently switched. SA Lunn, the family-owned plumbers' merchants she runs with her husband, now gets a better service but she still resents paying for an audit she is convinced she does not need.

"I can understand the necessity for an audit in a large concern where there is a lot going on and they are dealing with other people's money, but I don't see the need in a small business," she says. Lunn and her husband are the only shareholders in the Farnborough-based company, which has a workforce of 12, sales of just over £1m and no bank borrowings.

The audit is costly - the present accountant charges £2,500 for preparing annual accounts and carrying out the audit - and also takes up time. "Half a day goes on the meeting with the auditor, usually at an inconvenient time, and then there are the follow-up queries. If we weren't required by law to have an audit we wouldn't need to employ a certified auditor and we could go to a bookkeeper or do the job ourselves," she says.

Lunn is not alone among small business owners in querying the value to small businesses of the audit. This issue has also vexed governments, the accountancy profession, banks and tax authorities for more than a decade.

For the third time in 10 years the Department of Trade and Industry is engaged in a review of the small company audit and it expects to produce a discussion document in the next month or so.

Spurred by growing concern about the burden of red tape on small firms, there appears a growing consensus that the small company audit must go. But the debate is by no means over and there is certain to be heated discussion about the level at which the audit ceases to be necessary. There is also disagreement over whether or not it needs to be replaced by a simplified report on the finances of the smaller firm.

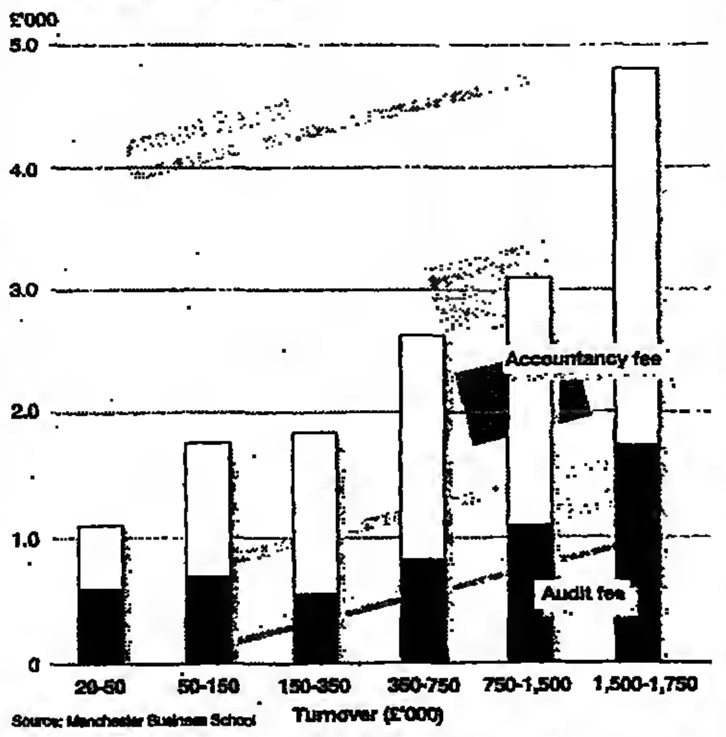
Defenders of the small company audit argue that it provides an independent review of the business for suppliers, banks and taxman. It also forces the business owner to keep his or her accounts in order.

Abolitionists say the audit is an unnecessary expense; that the requirement to file accounts with Companies House ensures records are kept; and that outsiders have other ways of monitoring performance. Freed from the audit, small business owners would regard their accountant as a friend and adviser, not as an official snoop.

Charles Batchelor reports on mounting pressure to drop the burden of small company audit

Unloved expense

The audit burden



Source: Manchester Business School

Like so many of the regulations that control business, it is the smaller company that bears the heaviest burden of red tape. The typical company with sales below £20,000 pays the equivalent of 4 per cent of turnover by way of audit fees, compared with 0.8 per cent for the company with sales between £100,000-£200,000, say consultants Graham Bannock & Partners.

Opposition to abolition of the small firms audit has mainly come from the tax authorities, the banks, the Chartered Association of Certified Accountants and many small accountancy firms. There are signs that the banks are coming round to the idea, while the Institute of Chartered Accountants in England and Wales, though it did not oppose the plan in the past, is now more positive.

Freed from the audit, small business owners would regard their accountant as a friend and adviser, not as an official snoop

The ICA suggested in a consultation document last August that companies with sales up to the VAT registration threshold of £36,600 should no longer be required to undergo an audit. Those with sales up to £300,000 should be able to dispense with the audit if shareholders were unanimously in favour.

But removal of the audit would not free companies from external checks. The ICA wants in its place a "compilation report", based on financial information in the annual report and accounts. This report would have to be signed off by a qualified accountant.

Banks are prepared to back the proposal for removing the audit for companies with sales of less than £36,600, but are not keen for larger companies to jettison the audit, even if all shareholders agree. The British Bankers' Association says it wants to go "one step at a time".

Feedback from ICA members to the consultation document has shown 70 per cent are in favour of relaxing the audit rules, although most demanded that shareholders voted unanimously in favour even in the smallest of companies.

In spite of more than a decade of debate many accountants still appear confused at the likely impact of removing the small firms audit. Many argue that it would not make much difference to the smaller firm while claiming it would lead to a sharp reduction in accountancy fees.

Much work involved in the audit results from the need to comply with the Companies Act, says Lance Blackstone of London accountants Blackstone Franks.

"A lot of time is taken up with checks for compliance purposes," he says. "Without an audit there would be fewer notes to the accounts."

Others are less sure. "We are sceptical about the extent of the savings which the proposals can be expected to secure," says Paul Chisnall, assistant director at the BBA.

But the deep-seated fear of many of the 14,000 accountants who are registered auditors is that abolition of the statutory audit will allow companies to turn to cheaper bookkeepers to compile accounts. "Companies would shop around for any Tom, Dick or Harry to sign their compilation report," says Panos Mavron, a sole practitioner.

There is little doubt that many small companies would opt for the cheapest solution to the chore of preparing accounts. But great care will be needed in framing any new rules.

The introduction in 1981 of abbreviated accounts for small businesses had the perverse effect of increasing the amount of work involved, since they could only be compiled from the full accounts.

Proponents of abolition point to the US and many countries in continental Europe which do not require small companies to have an audit or to publish accounts. This has not prevented the development of a strong small business community.

In a Nutshell

Red tape strewn across Europe

British exporters believe regulations and red tape will represent the largest non-tariff barriers to selling in continental Europe, followed by discrimination against non-local goods and services.

One in 10 exporters regard Germany as the most difficult sales destination because of the high-quality standards and competitive pricing demanded, according to a survey of 450 small businesses by Barclays Bank. France was seen as most likely to impose red tape or to discriminate against imports.

Despite this 81 per cent of exporters were optimistic about future prospects. One third have increased their export sales and promotion and a similar number have made new contacts abroad.

Finding the right French manager

Small- and medium-sized high-technology companies keen to establish a subsidiary in France may be eligible for a special assistance programme which has been launched in Montpellier.

The Montpellier Languedoc Roussillon Technopole has created an "incubator" unit for British and US companies.

The unit's staff will help companies find an experienced French manager to establish and manage the subsidiary, will provide help with the preparation of a business plan and provide premises at subsidised rates. The cost of these services is 1per cent of the French subsidiary's revenues over its first two years.

Contact Montpellier Technopole, c/o Peter Prowse Associates, The Coach House, 24 Bridge Street, Leatherhead, Surrey KT22 8BZ. Tel 0372 363025.

Partnerships in the local economy

A business partnership combining the efforts of local companies, business support groups and public sector organisations has been formed in Hertfordshire to boost the local economy.

More than 100 business people and representatives of business organisations attended the first meeting of the Hertfordshire Business Forum last month. The main instigators of the initiative are the county's Training and Enterprise Council, the county council and its development organisation, which was set up to attract investment.

Traditionally prosperous Hertfordshire has been spurred into action by the loss of some 13,000 jobs in defence-related companies such as Rolls Royce and British Aerospace.

Contact Herts TEC, New Barnes Mill, Cottonmill Lane, St Albans, Herts AL1 2HA. Tel 0727 41449.

Brain and business form industry club

Durham University has launched an Industry and Commerce Club to encourage collaboration between its academics and companies in north-east England.

The university has taken its lead from the much higher level of informal contact between universities and industry in the US and believes many businesses are unaware of the relevant expertise academics have in product, planning and management problems.

Ninety companies, from small businesses to multinationals, attended the launch. The university hopes the club will enhance the performance of north-east industry. First-year membership is £200 plus VAT a representative or £500 for up to three representatives.

Contact Prof. Bernard Smythe, Durham University, Old Shire Hall, Durham DH1 3HP. Tel. 091 374 4680.

Fifth less new starts in 1992

A total of 380,000 new businesses were started in 1992, a fall of 22 per cent on the year before and well below the peak of 520,000 in 1990, according to National Westminster Bank.

Since 1988 an estimated 2.4m new businesses have been formed of which two thirds are still thought to be trading.

More businesses are making use of the founder's personal resources to start. In 1992, 65 per cent used their own money compared with 37 per cent in 1991 while just 20 per cent used bank finance compared with 41 per cent.

BUSINESSES FOR SALE

THE EUROPA GATWICK HOTEL

Convenient for the airport, M25/M23. Prestigious 4 Star standard Hotel constructed 3 years ago to a high specification in a unique hacienda style.

- 178 en suite bedrooms plus 33 requiring completion.
- 2 concept restaurants and bar.
- Comprehensive conference facilities for 300 delegates.
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- Extensive landscaped car parking (250).
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CHRISTOPHER DAY or GERARD NOLAN on
071-486 4231

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Northgate Aluminium Systems Limited

The Joint Administrative Receivers offer for sale the business and assets of the above companies.

Principal features of the businesses include:

Northgate Aluminium Systems Limited

- aluminium shop front manufacturer
- leasehold/freehold available
- turnover £2.0 million with 21 employees
- modern plant and equipment
- blue chip customer base.

For further information, please contact Jill Howsam at Coopers & Lybrand, Cumberland House, 35 Park Row, Nottingham NG1 6FY. Tel: 0602 419066 Fax: 0602 410192.

Display & Shop Equipment

- manufacturer of bespoke interior shopfitting equipment
- freehold property
- turnover £2.0 million with 47 employees
- modern plant and equipment
- good order book.

For further information, please contact Gill Stafford at Coopers & Lybrand, 43 Temple Row, Birmingham B2 5JT. Tel: 021 236 9966 Fax: 021 200 4040.

Coopers & Lybrand

Coopers & Lybrand is authorised by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

Touche Ross

Tarbert Fyne Foods Limited

(In Receivership)

Processors of smoked salmon and fish based, chilled, value added products.

The Receiver offers for sale the business and assets of a processor of smoked salmon.

- 10,000 sq ft factory – leasehold.
- Prime "M74" site at Motherwell Food Park, Bellshill, Strathclyde.
- Smoking capacity 15 tonnes a week.
- Modern factory, fixtures & fittings and computer controlled equipment.
- Supplier to major UK retailers.
- Member of Scottish Salmon Smokers Association.
- Turnover for 1992 – £3m. Turnover capacity – £7m.

For further information please contact Robin Wilson or Roy Russell at the address below.

Deloitte Touche Tohmatsu International

39 St Vincent Place, Glasgow G1 2QQ.
Tel: 041 204 2800. Fax: 041 221 1864.
Authorised by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

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Contact:
Box A4699, Financial Times, One Southwark Bridge, London SE1 9HL

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London based, highly profitable firm for sale. Established for many years with strong client base dealing with major UK companies. Turnover currently in the region of £1.6 million. Considerable room for expansion.

Offer sought for long leasehold premises, goodwill, fixtures, fittings equipment, etc. Existing management willing to remain for a period to be agreed for continuity.

Principals only, write to:- Box No. A8279, 1, Southwark Bridge, London SE1 9HL.

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MANCHESTER
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Well Established
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£350K Plus
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Mr D Davis, Humoortree Ltd, 1 Weaver Street, Leeds LS4 2AU. Tel: 0532 311401

FOR SALE

3 Well established fashion menswear stores in Croydon, Kingston and Walworth Road. Turnover for 1992, £1,180.000 apprx. For sale as a whole or will sell individually.

Genuine enquiries only to:
Mrs E Leonard, 317 Homecove House, 35 Holland Road, Westcliff-on-Sea, Essex

ANNOUNCEMENT OF A PUBLIC AUCTION FOR THE HIGHEST BID

GREEK EXPORTS S.A., registered in Athens at 17 Panepistimiou Street and legally represented, in its capacity as Liquidator in accordance with article 46a of Law 1892/1990, as supplemented by article 14 of Law 2000/1991 and then by Decision No. 9583/1992 of the Athens Court of Appeal

ANNOUNCES

a Public Auction for the Highest Bid with sealed, binding offers for the purchase, in toto, of the assets of the company *under special liquidation named* COATED ABRASIVES INDUSTRY (VIEL) S.A. registered in Athens.

ACTIVITY AND BRIEF DESCRIPTION OF THE COMPANY

VIEL S.A. was founded in 1981 (Govt. Gazette 2627/81) and is engaged in the production of coated abrasives, the sale of these products in the Greek market and their export abroad. The Company's manufacturing installations are in the Industrial Estate of Patras at Patras. The factory stands on a plot of about 12,806m2. The factory building covers a space of 3,568m2. There are also auxiliary buildings totalling 587m2 (offices, etc). The basic manufacturing machinery is of German make (BRUCKNER) and the auxiliary machinery is Austrian (IGEL).

TERMS OF THE AUCTION

1. To take part in the auction, interested parties are invited to receive from the Liquidator the Offering Memorandum and the draft Letter of Guarantee in order to submit a sealed, binding offer to the Athens Notary Public assigned to the auction, Mrs. Adriana-Dimitra Economopoulou-Zapheiropoulou, at 18 Voukourestiou Street, 5th floor, Tel. 30-1-361.8249 up to Tuesday, 23rd February, 1993 at 1900 hours. Bids must be submitted personally or by a legally appointed representative.
2. Bids will be unsealed before the above Notary on Wednesday, 24th February 1993 at 1100 hours with the Liquidator in attendance. Bidders who have submitted their offers within the prescribed time limit will also be entitled to attend. Bids submitted beyond the prescribed time limit will not be accepted and will not be taken into account.
3. The sealed offers must clearly state the purchase price offered for the assets, in toto, of the Company and must be accompanied by a Letter of Guarantee from a bank legally operating in Greece, to the amount of fifty million drachmas (50,000,000 drs.) or its equivalent *in U.S. dollars (U.S.$).*
4. The Company's assets and all fixed and circulating constituent parts thereof, such as immovable and movable property, claims, trademarks, titles, rights, etc. are to be sold and transferred "as is, where is" and, more specifically, in their actual and legal condition and location on the date on which the sale contract is signed, regardless of whether the Company is operating or not.
5. The Liquidator, the Company and the creditors representing 51% of the total claims against the Company (Law 1892/90 article 46a, para. 1 as in force), known hereafter as the Majority Creditors, shall bear no liability for any legal or actual defects or for any deficiency in the effects and rights for sale nor for the possible refusal of the State to approve, as required, the transfer of elements of the assets, nor for their incomplete or faulty description in the Offering Memorandum and in any correspondence. In the event of inconsistencies, entries in the Company's books, as they stand on the date of signature of the sale contract, shall prevail.
6. Prospective buyers hereinafter referred to as "Buyers", shall be obliged, on their own responsibility and due care, and by their own means and at their own expense, to inspect the object of the sale and form their own judgment and declare in their bids that they are fully aware of the actual and legal condition of the assets for sale. The Buyers are hereby reminded that, in accordance with the provisions of Law 1892/90, article 46a, para. 4 as in force, having agreed in writing to maintain confidentiality, they are entitled to have access to any information they may require concerning the *Company for* sale.
7. Bids should not contain terms which might prevaricate their bindingness or any vagueness concerning the offered price and its method of payment, or any other matter of importance to the sale. The Liquidator and the Majority Creditors have the right, at *their incontestable* discretion, to reject offers which contain terms and conditions, irrespective of whether these offers contain a higher price than that of other bidders. Such unacceptable terms would be, for example, requests for the repair, improvement or transfer of fixed assets, or requests for guarantees in the collection of claims or the outcome of court actions brought by the Company in this respect, or compliance with recommendations regarding the security of the installations, or for safeguarding *the insurance cover, etc.*
8. In the event that the person to whom the auction is adjudicated, fails in his obligation to appear within twenty (20) days from being invited to do so, and sign the relative sale contract and fails to abide by the other obligations accruing from the present announcement, then the above-mentioned guarantee of fifty million drachmas (50,000,000 drs.) is forfeited to the Liquidator in compensation for expenses of any kind, time spent, and any actual or hypothetical loss sustained, with no obligation on the Liquidator's part to furnish any specific proof or deem that the amount has been forfeited *to him as a penalty* clause, and collect it from the guarantor bank. Guarantees deposited by other bidders shall be returned to them after the Liquidator's evaluation report has been approved by the Majority Creditors and the highest bidder's guarantee shall be returned to him after he has paid *the sale price and the* act of settlement has been drawn up and signed.
9. The highest bidder is deemed the one whose offer has been so judged by the Liquidator and approved by the Majority Creditors as being in their best interests.
10. The Liquidator shall not be liable to participants in the auction either with respect to the evaluation report or for his selection of the highest bidder and neither will he be liable to them for the cancellation of the auction in the event that its outcome is not approved by the Majority Creditors.
11. Participants in the auction do not acquire any right, claim or demand from the present announcement or from their participation in the auction, against the Liquidator, for any cause or reason.
12. Transfer expenses of the assets for sale (taxes, stamp *duty, notarial and mortgagor's* fees, rights and other expenses for drawing up topographical diagrams as required by Law 651/77, etc.) are to be borne by the Buyer.
13. *Those taking part* in the auction will be committed to keeping the enterprise operating in its present form.

For any information, interested parties can apply to:

a) *The head office of* E.T.B.A. S.A., Directorate of Public Holdings, 87 Syngrou Avenue, (2nd floor), 117 45 Athens, Greece, Tel. 30-1-92.94.395 and 30-1-92.94.396 and to

b) GREEK EXPORTS S.A., 17 Panepistimiou Street, (1st floor), 105 64 Athens, Greece, Tel. 30-1-32.43.111 to 30-1-32.43.115

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Titanium Fabricators Limited (In Receivership) was established in 1971 and is a market leader in the design and fabrication of high integrity process plant in corrosion resistant materials including titanium, zirconium, tantalum, nickel alloys and stainless steels for the chemical, offshore and nuclear industries worldwide.

- Annual turnover circa £4m
- Substantial order book circa £900k
- Blue chip customers
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- Highly experienced design department

For further details contact the Joint Administrative Receiver: Geoffrey A Gee, Grant Thornton, 28 Kenwood Park Road, Sheffield, S7 1NG.
Tel: 0742 687736. Fax: 0742 687838.

Grant Thornton

The U.K. member firm of Grant Thornton International. Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

M.Y. Sports & Games Ltd.

The Joint Administrative Receiver offers for sale as a going concern, the business and assets of M.Y. Sports & Games Ltd..

The company which is based in Milton Keynes is a long established manufacturer and wholesaler of toys and games.

Principal features include:

- Established trade names of Halex Sports, Halex Table Tennis, Tru Toys, Sportcraft and M.Y..
- Turnover in excess of £8 million per last audited accounts.
- Leasehold premises in Milton Keynes and Birmingham.
- Substantial order book and prestigious customer base.
- Stock holding with a book value of some £1.4 million.

For further information contact the Administrative Receiver, Tony Thompson, KPMG Peat Marwick, Norfolk House, 499 Silbury Boulevard, Central Milton Keynes, MK9 2HA. Tel: 0908 661881. Fax: 0908 660299.

KPMG Corporate Recovery

Adamson Modular Systems Ltd.
Reddish, Manchester

The Administrative Receiver offers for sale the business and assets of Adamson Modular Systems Ltd.

Principal features include:

- Manufacturer of metal freight containers, security units, North Sea oil containers.
- Turnover for year to 30 April 1992 of £6.3 million.
- Well established business with many years of trading experience, significant European market share.
- Over £1.0m of specialist engineering and welding plant and machinery.

For further information contact the Administrative Receiver, Philip Ramsbottom, KPMG Peat Marwick, 7 Tib Lane, Manchester M2 6DS. Tel: 061 832 4221. Fax: 061 832 7265.

KPMG Corporate Recovery

OFFICE FURNITURE MANUFACTURERS BUSINESS FOR SALE

Formode (UK) Limited

(in Receivership)

The Joint Administrative Receivers of Formode (UK) Limited offer the assets of the business, including goodwill, for sale as a going concern:

- Leasehold factory, c. 40,000 sq ft in Houghton Regis, Beds
- Est. 20 years, turnover £1.75m
- Large order book, blue chip customer list
- New product range
- Skilled workforce, 32 employees
- Good dealer network, national coverage
- Own transport fleet

All interested parties should contact Paul M Davis, the Joint Administrative Receiver, quoting reference L3812

Levy Gee & Partners
100 Chalk Farm Road, London NW1 8EJ
Tel: 071-267 4477. Fax: 071-485 1486

Or by telephone to Emma Marriott at the company on: 0582-861058

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Ready Meal Manufacturer

The Administrative Receiver offers for sale as a going concern, the assets and trade of Madigan Foods Limited of Port Talbot, South Wales. The Company's business comprises the manufacture and preparation of chilled and frozen ready meals.

Principal features include:

- Specialist niche sector.
- Major supermarket customers.
- High growth market.
- Present turnover £2.5m.

For further information contact the Administrative Receiver, Barry Mitchell, KPMG Peat Marwick, Marlborough House, Fitzalan Court, Fitzalan Road, Cardiff, CF2 1TE. Tel: 0222 468000. Fax: 0222 468202 or 468203.

KPMG Corporate Recovery

As a consequence of receivership, the business and assets of the following trading companies operating out of long leasehold premises in Huddersfield are for sale:

TS Lawton & Sons Limited

(In Administrative Receivership)

Electrical contracting:

- Customers include power generating companies
- Annual sales £2 million
- Order book of £165,000
- 72 employees

Rewinding:

- Annual sales £0.5 million
- 24 employees

TSL Electronics Limited

(In Administrative Receivership)

- Manufacturer and supplier of door entry systems, alarms and monitoring systems
- 11 employees
- Annual sales £400,000

FW Taylor & Son Limited

(In Administrative Receivership)

- Light engineering business
- 3 employees
- Turnover £100,000

For further information, please contact:
GC Horsfield, Price Waterhouse, 9 Bond Court, Leeds LS1 2SN. Telephone: (0532) 442044. Fax: (0532) 441401/439475.

Price Waterhouse

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FOR FURTHER INFORMATION WRITE BOX A4894
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FOR SALE

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SUCCESSOR/CHAIRMAN is wanted

Interested parties please write in detail to Box A4701, Financial Times, One Southwark Bridge, London SE1 9HL

BUSINESSES FOR SALE

PRINTED CIRCUIT BOARD MANUFACTURER

The business and assets of the Central Circuits group of companies are offered for sale as a going concern

- Manufacturer of conventional multilayered and PTH boards, based in Telford, Shropshire
- Freehold and leasehold factories of 63,500 square feet
- Annual turnover of £8 million with well established customer base
- Plant and equipment with a book value of £2.5 million
- ISO9000, BS5750, UL & MILSPEC Approvals
- Skilled workforce of 200

For further information, contact the Joint Administrative Receivers Andrew Menzies or Ken Jones of Robson Rhodes

ROBSON RHODES

Centre City Tower, 7 Hill Street, Birmingham B5 4UU.
Telephone: 021-643 1936. Fax: 021-643 4993

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COMPUTER RETAIL CO

B.J.HAMBLIN & P.R.HAMBLIN offer for sale the business and assets of FUTURE WORLD COMPUTERS LIMITED

- Specialising in all leading brands of home video consoles and software.
- Established for 18 months.
- £2.5 million turnover.
- 6 leasehold shops in prime locations situated in Bedford, Luton, Welwyn Garden City, St. Albans, Northampton and Basildon.
- Leasehold warehouse and office premises, 5000 square feet located in Bedford.

For details, please contact:
P Robert Hamblin or Brian I Hamblin
Pannell Kerr Forster
Pannell House
159 Charles Street
Leicester LE1 1LD
Tel: 0533 856611
Fax: 0533 854651

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PANNELL KERR FORSTER
CHARTERED ACCOUNTANTS

Z. Brierley Ltd

(In Administrative Receivership)

The Joint Administrative Receivers offer for sale the business and assets of the above company

- *Long established precision manufacturers of high tech CNC and conventional drill grinding machines*
- *World wide blue chip customer base*
- *Turnover in the region of £1.4 million per annum*
- *Excellent spare parts business*
- *Operating from fully equipped freehold premises in Llandudno Junction*

For further details please contact the Joint Administrative Receiver F W Taylor, Ernst & Young, Silkhouse Court, Tithebarn Street, Liverpool L2 2LE. Telephone: 051-236 8214. Facsimile: 051-236 0258.

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Chartered Accountants,
37 Stanmore Hill, Stanmore,
Middx HA7 3DS

Smith & Williamson

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The Joint Administrative Receivers offer for sale the business and assets of

FRANK ENGLAND & COMPANY LIMITED

The Company is a manufacturer and supplier of monumental memorials in marble, granite and other natural stones to retailers. The principle features of the business are:

- ★ Turnover circa £1 million per annum
- ★ Significant order book/customer base
- ★ Experienced and dedicated workforce
- ★ Leasehold premises in Retford, Nottinghamshire
- ★ Fully equipped workshop
- ★ Substantial stock

For details, please contact Michael Stevenson or John Bell at the offices of Smith & Williamson, No. 1 Riding House Street, London W1A 3AS, Tel: 071-637 5377, Fax: 071-323 5683, or at Frank England & Company Limited, Tel: 0777 708771/2.

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HOLTBRAID LIMITED
(in Administrative Receivership)

MENSWEAR MANUFACTURER

The Joint Administrative Receivers, L. J. Baehr FCA, MIPA, MBIM and A.M. Cushnir FCA, offer for sale the business and assets of this trouser manufacturer situated in Leeds trading as: GRANTWEAR

Main Features are:-

- Customer List Including Major High Street Retailers, The Post Office and London Underground Ltd.
- Modern Manufacturing Facilities.
- Leasehold Premises - Central Leeds - 25,900 sq. ft.

For further information, please contact the Receivers', Agents: Peter Dodson, Henry Butcher & Co., 4 Park Court, Park Cross Street, Leeds LS1 2QH. Tel: 0532 457356

Baehr Lubbock Fine,
Russell Bedford House, City Forum,
250 City Road, London EC1V 2QQ
Tel: 071 490 7766 Fax: 071 490 5102

BAEHR LUBBOCK FINE
CHARTERED ACCOUNTANTS

Event Group Plc

The Joint Administrators offer for sale the business and assets of the above Company. The Company was established in 1986 and is a retailer of high quality footwear, country clothing and fashionwear.

Principal features of the business include:

- ◆ 20 fully fitted leasehold shops in prime locations throughout the South of England.
- ◆ Substantial stocks of high quality own design Italian Ladies footwear sold under the 'DUO' and 'EVENT' name.
- ◆ Country clothing sold under 'CADOGAN' name and 'BENETTON' clothing.
- ◆ Turnover circa £4m per annum.

For further information contact the Joint Administrators Raymond Hocking or Sara E Dayman, Stoy Hayward, 8 Baker Street, London W1M 1DA. Tel: 071-486 5888, Fax: 071-935 3944. Ref: 7/ECL.

STOY HAYWARD Horwath

Accountants and Business Advisers A member of Horwath International
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OLIVES PAPERS

Bury, Greater Manchester

Olives Paper Limited (In Receivership) has been established since 1840. The company manufactures and markets recycled paper products and watermarked and tinted paper.

- Freehold premises 147,500 sq. ft.
- Specialised plant and machinery
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- Skilled workforce
- Well established brands

For further details contact the Joint Administrative Receivers Malcolm Shierson and Allan Griffiths, Grant Thornton, Heron House, Albert Square, Manchester M2 5HD.
Tel: 061-834 5414. Fax: 061-832 6042.

Grant Thornton

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ANNOUNCEMENT

For the sale by the Industrial Reconstruction Organisation (I.R.O.) of the shares of the company ELINDA S.A.

The I.R.O. announces a public auction for the highest bid for the sale of 14,338,830 ordinary voting shares of the company HELLENIC INDUSTRIAL ELECTRICAL APPLIANCES ELINDA S.A. registered at the Municipality of Metamorphosis, Attica, in accordance with the decision dated 2.12.92 of the Interministerial Committee for Denationalisation (I.C.D.) and the provisions of articles 5, para. 1b and 6, para. 1b of Law 2000/91.

The shares for sale represent 99.98% of the total deposited share capital of the above company.

ELINDA S.A. was established in 1977 following the merger of the productive units of the companies IZOLA S.A. and BIOMETAL ESKIMO S.A. and the participation of the NATIONAL BANK. The company's main line of activity is the production and sale of electrical white goods. It maintains factories at Bofilia, Attica and at Thebes and all its personnel has been dismissed.

The terms for the public auction for the highest bid, in accordance with the present announcement, are as follows:

A. PROCEDURE

1. Interested buyers are invited to receive from the offices of the IRO (234 Syngrou Avenue, Athens, 3rd Floor, I.R.O. Denationalisation Department) the Offering Memorandum in which the relevant data of the company have been summarised. Those who may have already obtained the Memorandum prior to the publication of this Announcement are invited to receive the new, revised and complemented Memorandum.
The Memorandum is obtainable from 0900 hrs on 8.2.93 to 1500 hrs on 10.2.93. Interested parties who will wish to obtain the Memorandum after this time limit will do so at their own risk insofar as the time remaining for them to check the company data and prepare their offer is sufficient before the date on which binding offers must be submitted. The Offering Memorandum will be handed to the interested parties themselves, in the case of individuals, and to a legal representative in the case of legal entities or associations, as well as to persons so authorised by a notarised power of attorney or an authorisation document on which the signature has been attested to by a police authority. The I.R.O. reserves the right to deny the Offering Memorandum to persons who do not fulfil the above requirements.
All the data contained in the Offering Memorandum are indicative and aimed only at providing information. They are conditional on confirmation by interested parties while checking the company and cannot establish any liability on the part of the I.R.O. as to their accuracy or completeness.
2. Confidentiality Agreement – Draft Agreement – Checking the Company
On receiving the Offering Memorandum, the recipient will be obliged to sign a Confidentiality Agreement with respect to the data it contains. The I.R.O. reserves the right to hand over, also, to each recipient of the Memorandum, a Draft Agreement for the sale of the shares and set the time and procedure for negotiating its terms with each potential buyer before the submission of binding offers. Each potential buyer receiving the Offering Memorandum within the above time limits will be entitled to check the company's data. The time, which will not exceed 2 days, the dates and the remaining checking procedure will be specified by the I.R.O. on the basis of the date of submission of the binding offers, the number of interested parties and the priority in receiving the Offering Memorandum. Potential buyers who will ask for and obtain the Offering Memorandum beyond the time limit and on their own responsibility, will be treated and facilitated in the time left without any discrimination towards them, resulting solely from their own fault in receiving the Memorandum at a late date, being possibly construed as unequal treatment.
3. Submission of Binding Offers – Unsealing
Binding Offers must be submitted at the latest by 1300 hrs on Thursday, 25th February 1993 at the offices of the I.R.O. at the address mentioned above, in return for a receipt. Offers which have not been handed to personally but sent in any other manner (by post, etc.) will be considered as having been submitted in time and will be taken into account only if they have reached the offices of the I.R.O. before the above time limit irrespective of the date of posting or any other means of despatch. Offers submitted beyond the time limit will not be taken into account.
The offers will be unsealed on Thursday, 25th February 1993 at 1400 hours at the offices of the I.R.O. The unsealing may be attended by anyone who has legally submitted a binding offer or by his legally authorised representative as described above. The offers will be unsealed, checked with regard to formality (letter of guarantee, composition, etc.) will be entered and will be attached to a special report of the unsealing which will be signed by those present. A copy of this report will be given to each person who has legally submitted an offer. Copies of the offers will not be released until the end of the auction for the highest bid.
4. Evaluation – Adjudication
Offers are kept by the I.R.O. and are evaluated at its discretion. The Board of Directors of the I.R.O. will make the final decision as to the acceptance (adjudication) of an offer, or its rejection, within two months of its submission, i.e. up to 26th April 1993. Recalls, modifications, improvements, etc. of offers up to the final decision of the I.R.O. to adjudicate or to reject, and counter-offers are not acceptable and will not be considered.

B. CONTENT OF THE OFFER

Offers must be submitted within a sealed envelope entitled "BINDING OFFER FOR THE PURCHASE OF THE SHARES OF ELINDA S.A.". They must be written and signed and must not have erasures, deletions or insertions. Offers submitted in any other manner (e.g. by telegram, telex, fax, etc.) unsigned, or bearing erasures, deletions or insertions will not be considered. The offers must refer to the total of the shares for sale (14,338,830) and if this is not specifically mentioned or wrongly indicated it will be taken as referring to the total (14,338,830). They will contain a price expressed in drachmas. They will specify the manner of payment and, if payment is to be made of the whole amount or to instalments, will specify the exact dates of payment, without interest or with interest (and in this case at what rate), of each instalment, and the guarantees provided for payment of these instalments. It should be noted in this respect that in evaluating such offers, their conversion to current value will be calculated at 22%. Any terms contained in the offers shall be absolutely clear and specific on pain of giving the right to the I.R.O. at its discretion, to go as far as rejecting the offer.

The offer must include data on the identity and activity of the bidder, while a description of a business plan and the bindingness thereof, will be duly appreciated.

The duration of the offers must be of at least two months (i.e. up to 26.4.93).

C. LETTER OF GUARANTEE

The offer must be accompanied by a letter of guarantee from a bank legally operating in Greece for Drs. 200,000,000. The I.R.O., on delivery of the Offering Memorandum, will provide a draft of this letter of guarantee which must be adhered to. Offers unaccompanied by a letter of guarantee, or accompanied by a letter of guarantee which, in the I.R.O.'s opinion is unsatisfactory, will not be considered.

D. OTHER TERMS

1. The present is not a proposal for drawing up an agreement but an invitation to submit an offer.
2. The I.R.O. retains the right to cancel or postpone the auction at its discretion, to supplement or clarify or modify the terms of the present announcement and in general act within the framework of article 199 of the Civil Code and Law 2000/91, bound only by the decisions of the Interministerial Committee for Denationalisation.
3. All the expenses concerning or related to the transfer of the shares and the participation in general and execution of the present procedure shall be borne by the buyer and each of the participants accordingly.
4. The participation of each of the potential buyers in the present auction presupposes the full and unequivocal acceptance of the terms of the present announcement.
5. Any previous relative announcement, invitation or proclamation, etc is hereby revoked and the only valid terms are those contained in the present announcement.

For any further information or clarification, interested parties can apply to the I.R.O., Denationalisation Department.
Tel: 30-1-952.5540-9.

Athens, 2nd February 1993

ANNOUNCEMENT

For the sale by the Industrial Reconstruction Organisation (IRO) of the shares of the company AZINCO S.A.

The IRO announces a public auction for the highest bid for the sale of 52,617 ordinary registered voting shares with a nominal value of Drs. 1,000 each of the company AZINCO S.A., registered in the Municipality of Metamorphosis, Attica, in accordance with the decision dated 2.12.92 of the Interministerial Committee for Denationalisation (ICD) and the provisions of articles 5, para. 1b and 6, para. 1b of Law 2000/91.

The shares offered for sale represent 100% of the total deposited share capital of the above company.

AZINCO S.A. was established in 1966 and is engaged in the production of plastic and cast-pressed parts for industrial use. The company's installations are contained in a self-owned factory building at Dragasis, Thebes.

The terms set by the I.R.O. for the public auction for the highest bid, in accordance with the present announcement, are a follows:

A. PROCEDURE

1. Interested buyers are invited to receive from the offices of the IRO (234 Syngrou Avenue, Athens, 3rd Floor, I.R.O. Denationalisation Department) the Offering Memorandum in which the relevant data of the company have been summarised. Those who may have already obtained the Memorandum prior to the publication of this Announcement are invited to receive the new, revised and completed Memorandum.
The Memorandum is obtainable from 0900 hrs on 8.2.93 to 1500 hrs on 10.2.93. Interested parties who will wish to obtain the Memorandum after this time will do so at their own risk insofar as the time remaining for them to check the company data and prepare their offer is sufficient before the date on which binding offers must be submitted. The offering MEmorandum will be handed to the interested parties themselves, in the case of individuals, and to a legal representative in the case of legal entities or associations, as well as to persons so authorised by a notarised power of attorney or an authorisation document on which the signature has been attested to by a police authority. The I.R.O. reserves the right to deny the Offering Memorandum to persons who do not fulfil the above requirements.
All the data contained in the Offering Memorandum are indicative and aimed only at providing information. They are conditional on confirmation by interested parties while checking the company and cannot establish any liability on the part of the I.R.O. as to their accuracy or completeness.
2. Confidentiality Agreement - Draft Agreement - Checking the Company.
On receiving the Offering Memorandum, the recipient will be obliged to sign a Confidentiality Agreement with respect to the data it contains. The I.R.O. reserves the right to hand over, also, to each recipient of the Memorandum, a Draft Agreement for the sale of the shares and set the time and procedure for negotiating its terms with each potential buyer before the submission of binding offers. Each potential buyer receiving the Offering Memorandum within the above time limits will be entitled to check the company's data. The time, which will not exceed 2 days, the dates and the remaining checking procedure will be specified by the I.R.O. on the basis of the date of submission of the binding offers, the number of interested parties and the priority in receiving the Offering Memorandum. Potential buyers who will ask for and obtain the Offering Memorandum beyond the time limit and on their own responsibility, will be treated and facilitated in the time left without any discrimination towards them, resulting solely from their own fault in receiving the Memorandum at a late date, being possibly construed as unequal treatment.
3. Submission of Binding Offers - Unsealing.
Binding offers must be submitted at the latest by 1300 hrs on Thursday, 25th February 1993 at the offices of the I.R.O. at the address mentioned above, in return for receipt. Offers which have not been handed in personally but sent in any other manner (by post, etc) will be considered as having been submitted in time and will be taken into account.
The offers will be unsealed on Thursday, 25th February 1993 at 500 hrs at the offices of the I.R.O. The unsealing may be attended by anyone who has legally submitted a binding offer or by his legally authorised representative as described above. The offers will be unsealed, checked with regard to formality (letter of guarantee, composition, etc.) will be entered and will be attached to a special report on the unsealing which will be signed by those present. A copy of this report will be given to each person who has legally submitted an offer. Copies of the offers will not be released until the end of the auction for the highest bid.
4. Evaluation - Adjudication
Offers are kept by the I.R.O. and are evaluated at its discretion. The Board of Directors of the I.R.O. will make the final decision as to the acceptance (adjudication) of an offer, or its rejection, within two months of its submission, i.e. up to 26th April 1993. Recalls, modifications, improvements etc of offers up to the final decision of the I.R.O. to adjudicate or the reject, and counter-offers are not acceptable and will not be considered.

B. CONTENT OF THE OFFER

Offers must be submitted within a sealed envelope entitled "BINDING OFFER FOR THE PURCHASE OF THE SHARES OF AZINCO S.A.". They must be written and signed and must not have erasures deletions or insertions will not be considered. Offers submitted in any other manner (e.g. by telegram, telex, fax, etc.) unsigned, or bearing erasures, deletions or insertions will not be considered. The offers must refer to the total of the shares for sale (52,617) and if this is not specifically mentioned or wrongly indicated it will be taken as referring to the total (52,617). They will contain a price expressed in drachmas. They will specify the manner of payment and, if payment is to be made of the whole amount or to instalments, will specify the exact dates of payment, without interest or with interest (and in this case at what rate), of each instalment and the guarantee provided for payment of these instalments. It should be noted in this respect that in evaluating such offers, their conversion to current value will be calculated at 22%. Any terms contained in the offers shall be absolutely clear and specific on pain of giving right to the I.R.O. at its discretion, to go as far as rejecting the offers.

The offer must include data on the identity and activity of the bidder, while a description of a business plan and the bindingness thereof, will be duly appreciated.

The duration of the offers must be at least two months (i.e. up to 26.4.93).

C. LETTER OF GUARANTEE

The offer must be accompanied by a letter of guarantee from a bank legally operating in Greece for Drs. 40,000,000. The I.R.O., on delivery of the Offering Memorandum will provide a draft of this letter of guarantee which must be adhered to. Offers unaccompanied by a letter of guarantee, or accompanied by a letter of guarantee which, in the I.R.O.'s opinion is unsatisfactory, will not be considered.

D. OTHER TERMS.

1. The present is not a proposal for drawing up an agreement but an invitation to submit an offer.
2. The I.R.O. retains the right to cancel or postpone the auction at its discretion, to supplement or clarify or modify the terms of the present announcement and in general act within the framework of article 199 of the Civil Code and Law 2000/91, bound only by the decisions Interministerial Committee for Denationalisation.
3. All the expenses concerning or related to the transfer of the shares and the participation in general and execution of the present procedure shall be borne by the buyer and each of the participants accordingly.
4. The participation of each of the potential buyers in the present auction presupposes the full and unequivocal acceptance of the terms of the present announcement.
5. Any previous relative announcement, invitation or proclamation, etc is hereby revoked and the only valid terms are those contained in the present announcement.

For any further information or clarification, interested parties can apply to the I.R.O., Denationalisation Department,
Tel. 30-1-952.5540-9.

Athens, 2nd February 1993

Fabricwood Ltd. trading as

TOMMY NUTTER

(In Administrative Receivership)

MJ Carter and JY Venvil, Joint Administrative Receivers of the company, offer for sale the assets and undertaking of the undermentioned business in whole or in part:

- Well established niche menswear business.
- Annual turnover approx. £600,000.
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For further information please contact:
M Reynolds or A Rawlings at Carter Backer Winter,
Hill House, Highgate Hill, London N19 5UU.
Tel 071 263 7111. Fax 071 281 2166.

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WANTED – PROPERTY COMPANIES operating or in receivership We are an expanding Group of Property Investment and Development Companies. We will consider both companies engaged in both residential and/or commercial property activities located within the South East. Write in the first instance providing brief details to Box A4721, Financial Times, One Southwark Bridge, London SE1 9HL.

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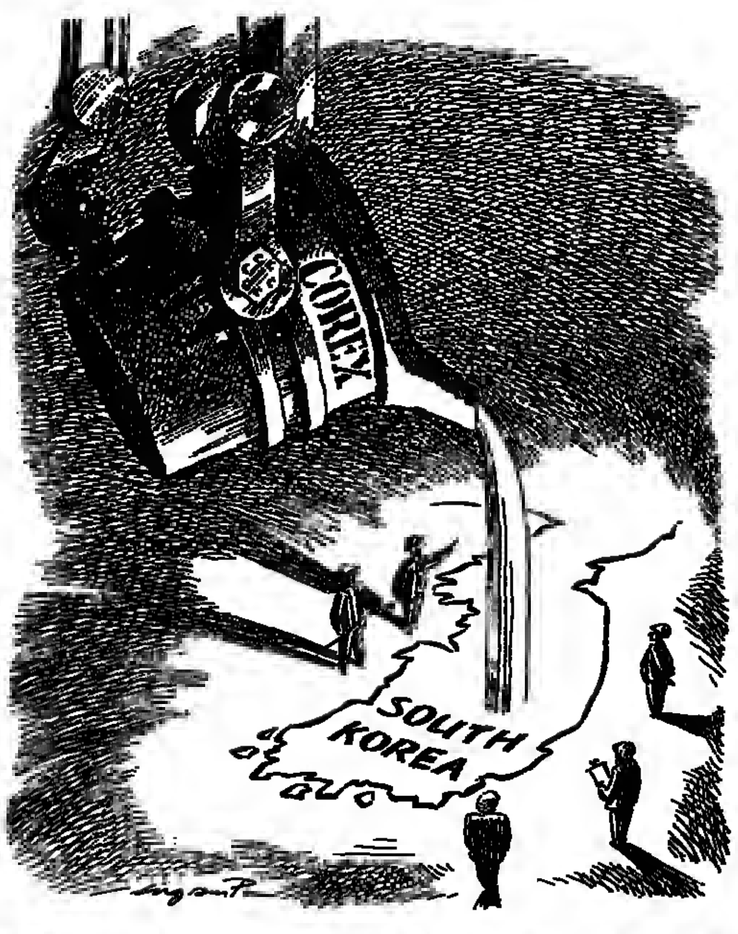
BUSINESS FOR SALE ALSO APPEARS ON PAGE 12

TECHNOLOGY

Ian Rodger reports on a saleable Austrian breakthrough that makes dirty blast furnaces obsolete

Clean steel gets to melting point



Executives are breathing more easily these days at Voest-Alpine, the state-owned Austrian industrial group, thanks to a new order from the Far East which could open up sales prospects around the world for a cheaper and cleaner way of making steel.

The group has just won an order from the big South Korean steel concern, Pohang Iron and Steel (Posco), for its Corex technology for reducing iron ore directly to hot metal. According to Herbert Steinwender, president of Voest-Alpine Industrieanlagenbau (VAI), the group's engineering unit, it is in discussion with 35 other steel companies about possible orders.

Direct reductinn (DR) and smelting reduction (SR) technologies have tantalised steel makers for decades. The idea is that the oxides and other impurities present in iron ores can be removed in a single thermal process, using an ordinary hydrocarbon or coal as a reduction agent.

This would enable steelmakers to dispense with the cumbersome and expensive traditional processes of refining coke from coking coal in huge ovens and then using the coke as a reduction agent in immense blast furnaces.

SR plants could also be operated economically on a mnch smaller scale than blast furnaces, thus opening the way for new entrants into the steel industry.

Anntbsr feature that has increased interest in recent years is that SR plants produce substantially fewer emissions than coking plant-blast furnace complexes. In the 1960s, the focus was on natural gas driven DR plants, but interest faded with the sharp rise in gas prices in the early 1970s. In the mid-1970s, Willy Korf, the maverick German mini steel mill entrepreneur who died in an air crash in 1990, started development of a coal-based SR system, originally called the KR (Kohlereduktion) process and later changed to Corex.

In 1979, Voest joined Korf in building a 60,000 tonne per year pilot plant at Kehl, on the upper Rhine in Germany, and four years later took over the whole project when Korf's business collapsed. VAI won its first commercial contract for a 300,000 tonne per year Corex plant from Iscor, the South African steel company, in 1985. But the installation had considerable teething problems, and was not running properly until two years after its commissioning in 1987.

Since then, things have been tense in Linz, to say the least. "We have been hoping a long time for a second contract," Steinwender says. Some executives felt that VAI should have put in a Corex plant at the Linz works of its sister company, VA Stahl, to demonstrate its confidence in the technology.

But this was difficult to justify economically as long as newly modernised iron making facilities, which were well adjusted to downstream facilities, were working effectively. "So we are very happy that Posco has come along. It is the third largest steel company in the world," he says.

The Posco order is for a plant that is donble the size of Iscor's. VAI will not disclose the value of the order, bot says normally a plant of this size would cost Scb3bn (£179m). Questions have been raised about how much further the technology can be scaled up without running into new complications. Steinwender says the next step op to a plant of about 1m tonnes per year should be achieved without difficulty, as the equipment needed has already been used in DR plants.

Opinions are divided within the group as to whether Corex will be as big a success as Voest's development in the late 1940s of the LD (named after its Linz and Donawitz steelmaking sites) basic oxygen technology process for converting iron into steel. That technology is now universally used in integrated steel works around the world and has produced a steady income stream for the group for decades.

VAI claims that total Corex plant costs for producing a tonne of hot metal are about 20 per cent less than those in a coking plant-blast furnace complex. Tntal energy requirements are aboot 15 per cent less, hut considerably more excess energy is available for driving a power station.

Still, the snag for many producers, like Voest itself, is that as long as old, fully depreciated plant is still working well, it is difficult to justify investing in Corex. And, as Othmar Pühringer, depnty chairman of Austrian Industries, Voest's parent company, says, "there is already a significant overcapacity of hot metal in the world".

Pühringer believes that market development will take some time. "The real hoom will take place when environmental controls get more stringent.

"We did not see this when we developed the process, hut it is a beautiful hy-product."

Technically Speaking

Unix's survival at stake

By Alan Cane

A FEW days before Christmas last year, Novell, a US computer networking company whose annual sales are now close to $1bn (£650m) signed a letter of intent to acquire Unix Systems Laboratories, a company in which AT&T has a majority stake and which is responsible for the licensing and development of the Unix computer operating system.

The deal, worth $350m, has to be ratified by 11 other computer companies which own shares in USL. These include Amdahl, Fujitsu, ICL, Motorola and Sun Microsystems. It is nevertheless remarkable, given the history of Unix, that there has been a dearth of comment on a development which may fundamentally reshape the open systems movement. It may simply have been the imminence of the New Year; others see more sinister forces at work.

To recap briefly: open systems imply a common set of rules for interworking so that no supplier has a technical advantage over any other in developing standard products.

Unix is one of a number of operating systems vying to be adopted as the open systems standard. The development of such an operating system would have to be free from the control of any one manufacturer or group of manufacturers.

Unix was created by AT&T at Bell Labs but has since been widely licensed, leading to a damaging multiplicity of "standard" versions. These include Sunsoft's Solaris and IBM's AIX.

The competition includes IBM's personal computer operating systems OS/2, the Open Systems Foundation's OSF1 and Microsoft's Windows NT, a new operating system which has yet to be launched commercially.

AT&T established USL, and encouraged other companies to take stakes in it, to promote the idea of Unix development independent of itself or any other company. In doing so, it showed it had learned the lessons of the 1980s when plans to establish a standard Unix between AT&T and the aggressive workstation company, Sun Microsystems, provoked an industry war.

Novell, however, is one of the industry's newly emerging dominant forces with some 60 per cent of the global market for networking software. The 1990s are set to be the decade of computer networking so Novell, along with Intel and Microsoft, can claim to be an architect of the new world order in computing.

So by selling off USL to Novell, has AT&T thrown away the idea of an independent Unix? And if it has, does it matter?

The answer to the latter question would seem to be "No", judging by the lack of controversy over the proposed sale. Why should that be?

One possible answer is that AT&T and the rest of the industry are already anticipating that Windows NT will be the operating system of the future and have thrown in the towel.

Windows NT – standing for "New Technology" – is Microsoft's first multiuser, multitasking operating system suitable for powerful network servers. It is Microsoft's attempt to lay siege to the market for enterprise-wide computing, taking advantage of the shift away from mainframes and mainframe operating systems.

Microsoft has a deserved reputation for tenacity in bringing reliable products to market even if there are several false starts on the way. But coming as it does from a background in stand-alone personal computers, it has little experience of enterprise data processing. It knows this very well and is taking steps to remedy its deficiencies.

But multiuser computing is complex and critics argue that Windows NT will have to go through several versions before it approaches the reliability and robustness of Unix.

Many believe that Unix represents the best opportunity of developing a genuinely open operating system for the 1990s and beyond. With the loss of an independent USL, however, there may be again a proliferation of Unix variants – to nobody's advantage.

SmithKline cures a corporate headache

Gronp decision-making is central to corporate life, but it can be time-consuming and socially awkward for many managers. In a move that introduces a touch of the television game show to business, SmithKline Beecham is trying to take the headaches out of joint decisions.

The Anglo-US pharmaceutical group's solution is Teamworker, dreamt up by Tony Gear and Martin Read of Decision Dynamics, a small UK communications company. It consists of handsets, similar in design to pocket calculators, linked by radio to a central standard microcompnter. This is loaded with special software which presents data in logical order to the participants, who vote or register opinions on the keypads. The results appear instantly on a large screen.

Teamworker is also used by the Ministry of Defence, Manchester University, and Allied Breweries, where it shows what the members of tasting panels think about differing beer flavours.

The Head of SB's Gastrointestinal R&D Category, Leanne Wagner, says the system makes research and development meetings much more effective. It was adopted to cut the length of time spent reviewing SB's extensive project portfolios.

"Our practice has always been to brainstorm in groups of 12 to 15 staff from a variety of disciplines, as well as to gather smaller groups dealing with individual therapeutic areas," she says. "The idea of portfolio review is to pinpoint where our resources should best be concentrated and evaluate research opportunities." But this was often time-consuming and complex.

Wagner says meetings are now better organised. "The computer gives the cue for each project option to be presented and for its technical and commercial attractiveness to be discussed." A group vote then shows instantly where disagreements arise, without participants being influenced by others' opinions.

"Social pressure is thus considerably diminished; participants can disagree without confrontation, producing a more honest spread of opinion. It becomes much more difficult for a senior member to dominate the meeting," Wagner says. This is important when people from different disciplines are involved.

John Dent, SB's former senior vice-president of project management, says meeting times are now much shorter. "We normally took a 15-day yearly meeting to review our portfolio, and that has been cut to around four."

He is not sure whether the decisions are actually better. "But one point which is important is that everyone understands what decision has been reached. At least this way, people who disagree have a fairer chance of being able to persuade the others."

James Arnold

Second Marshall case opinion given

The preliminary opinion in the second Marshall case was delivered last week. The case concerns compensation payments made under UK legislation for breaches of EC sex discrimination laws. The European Court has been asked to rule whether national limits on such compensation payments are lawful.

In the first Marshall case, the court ruled that Miss Marshall was entitled to rely on the provisions of an EC directive in her action for wrongful dismissal on grounds of sex discrimination against her employers, Southampton and South West Hampshire Area Health Authority.

Under the relevant UK legislation, the maximum compensation which could be paid to Miss Marshall at the time was £6,250. The Industrial Tribunal assessed her loss at £18,405, which included £7,710 in respect of interest.

The Area Health Authority paid the capital sum, but appealed against the tribunal's award of interest.

In his opinion Advocate-General Van Gervan rejected an argument put by the UK and Irish governments that the court should restrict itself to ruling on the question of the interest payable. He said the court should also consider the much wider point of a general compensation limit. In order to deal with this issue, it was necessary to decide the scope and content of the relevant EC law rights.

The advocate-general found that the relevant provisions of EC law did give rise to rights which could be relied on by individuals in their national courts against member states and public authorities.

These rights comprised not only the right to obtain an effective judicial claim against sex discrimination, but also the right to obtain specific compensation, which had not previously been recognised by the court.

Mr Van Gervan said national compensation limits were not, in themselves, unlawful, but that the compensation awarded had to be adequate in relation to the damage sustained. That did not mean that the compensation had to be equal to the damage. It was for the national court to assess the adequacy of the compensation in every case and remedies for breaches of Community law should be comparable to those for breaches of domestic law.

The question of interest was divided into two:

● "legal interest" – to compensate for any delays in the payment of the damages agreed by the national court – was due from the date of delivery of the national decision establishing the amount of compensation;

● and "compensatory interest", which is a component of the compensation package, should form part of any award, otherwise that award would not be adequate in relation to the damage suffered and thus breach the Community rights of the individual concerned.

C-271/91: M H Marshall v Southampton and South-West Hampshire Area Health Authority. Opinion delivered on 26 January 1993.

Discriminatory tax treatment not unlawful.

In a case involving tax benefits in Germany, the ECJ found that national tax rules, which made certain tax allowances dependant on the German residence of the taxpayer, were not contrary to the provisions of the Rome Treaty dealing with establishment rights and the rules against discrimination.

C-112/91: Hans Werner v Finanzamt Aachen-Innenstadt, ECJ FC 26 January 1993.

Preliminary references to the European Court.

The European Court gave a salutary reminder last week to national courts wishing to refer preliminary questions to the ECJ. An Italian court had referred two questions to the ECJ for preliminary ruling concerning broadcasting restrictions and their compatibility with EC competition law. However, the questions were, according to the court, so laconic and lacking in precision that it was impossible to identify the questions to be answered.

The court stated that it was the duty of the national court to identify the factual and legal framework within which questions for preliminary ruling were raised. As this had not been carried out by the Italian court, the ECJ could not answer the questions referred.

Joined cases C-320/90, C-321/90 and C-322/90: Telemarsicabruzzo SpA and others v Circostel, Ministero delle Poste e Telecommunicazioni et Ministero della Difesa, ECJ FC, 26 January 1993.

BRICK COURT CHAMBERS, BRUSSELS

Industry is still paying a heavy price for ignoring a fast, cheap alternative to litigation, writes **Robert Rice**

Out-of-court settlement

The American writer Ambrose Bierce defined litigation in his Devil's Dictionary as "a machine which you go into as a pig and come out of as a sausage".

He could have added that you must also pay for the privilege. Court-based justice is slow and expensive and for every winner produces a loser. The cost of a two-year commercial dispute culminating in a one- or two-month trial can run into millions of pounds.

Yet during the UK's deepest recession in 60 years, when businesses ought to be doing all they can to cut variable costs, they are spending more and more on fighting costly battles in the courts.

The Centre for Interfirm Comparison, an independent research group, says that on average London law firms reported a 25 per cent growth in litigation in 1992. That came on top of an average 43 per cent rise in litigation in 1991.

There has been some progress in the search for cheaper and fairer methods of handling commercial disputes in the UK over the past two years. But industry has been slow to embrace the concept of alternative dispute resolution (ADR) – which in the UK mainly takes the form of mediation – despite Confederation of British Industry (CBI) backing.

In November 1990 the CBI supported the launch of the Centre for Dispute Resolution. CEDR is a non-profit making organisation, backed by industry and professional advisers, dedicated to reaching better commercial solutions to domestic and international business disputes.

Founder members included BAT, Ford (Europe), Grand Metropolitan, ICI, Smiths Industries and Trafalgar House Construction, plus a dozen of the UK's leading law firms and four of the big accountancy firms.

Six months later membership of CEDR had passed 100. New recruits included RTZ, Legal & General, Midland Bank, BOC Group, Prudential, John Laing, John Mowlem Construction, British Telecom and Black & Decker. Today membership totals more than 250 with almost 50 per cent drawn from commerce and industry. Many companies have actively promoted ADR.

CEDR has established links with a growing number of UK and international ADR organisations and is to supplement the work of the London Court of International Arbitration. The Law Society, the Bar and the Lord Chancellor's Department have all expressed support for ADR as a concept.

In its first two years 230 cases, involving more than £800m, were referred to CEDR, of which about 25 per cent went on to complete formal ADR processes. CEDR estimates that more than £30m in potential legal costs have been saved and substantially more if management time is included.

So, with CBI-backed industry support, goodwill from the professions and at least the beginnings of a sound record, why has ADR failed to take off in the UK?

Dr Karl Mackie, CEDR's director, says: "The low level of experience of lawyers and clients with the process is still an obstacle and the traditional adversarial mindset and culture of lawyers and clients in litigation a positive barrier."

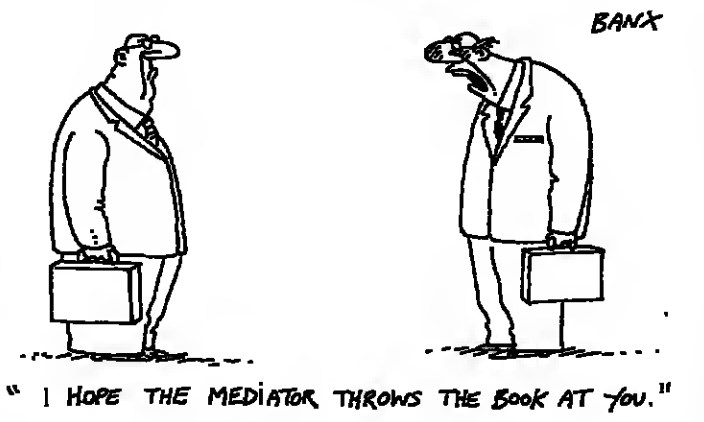
But old habits dying hard is not a complete answer. While lawyers' interests are unlikely to make them the first to suggest it, Dr Mackie concedes that CEDR has made "considerable headway" in recent months in persuading lawyers to take ADR more seriously.

The real problem is in industry, where there is lack of awareness of ADR and what it has to offer, edged with a large dose of scepticism.

In America the success of ADR techniques came from publicity surrounding the successful resolution of business disputes involving well-known companies. Examples include the four-year IBM/Fujitsu computer software copyright dispute, Borden's $200m trust action against Texaco and American Can's $41m action for breach of contract against Wisconsin Electrical Power.

In the UK no company which has been through ADR has yet been prepared to talk about the experience in any detail. Industry has had to judge the process from brief second-hand accounts of anonymous disputes provided by CEDR.

All that may be about to change, however. Although not a household name, one of the two companies involved in the largest dispute handled by CEDR so far has allowed its lawyers, Warner Cranston, to talk about the resolution by mediation of its £27m claim against a product design consultancy.



" I HOPE THE MEDIATOR THROWS THE BOOK AT YOU."

In America the success of ADR techniques came from publicity surrounding the successful resolution of business disputes involving well-known companies

The company, Autocar Equipment, an automotive equipment manufacturer and distributor, agreed with an American to manufacture and market in the UK a steriliser he had invented and patented for the dental industry. Successful UK marketing required several design changes. Autocar approached a London product design consultancy and subsequently accepted its quote for cost and time.

The design changes took a lot longer and cost a lot more than anticipated. Autocar felt it had lost market opportunities. Eventually the American exercised his right to terminate the agreement with Autocar under US law and Autocar decided to sue the design consultancy for negligence and breach of contract and lost profits.

Mr John Wright, the Warner Cranston partner handling the case for Autocar, said initially they went down the traditional route. A writ claiming £27m was issued in April 1989 and a split-trial was agreed – the first trial, expected to last eight weeks, to determine liability, the second to determine damages.

Traditional negotiations failed to produce a settlement but did narrow the issues. Eventually, four months before the date for the first trial, the design consultancy suggested one final attempt should be made to settle the dispute by mediation. Autocar agreed and together they approached CEDR.

Two mediators, Mr Michael Burton QC and Dr Karl Mackie, were nominated and a date fixed for the hearing. The mediation took a day. It began with a short opening summary of each side's case in open session followed by a series of private caucuses, or open and frank discussions, between the mediators and each side in turn about their respective cases.

The case was eventually settled late in the afternoon for less than £1m, but only after the defendants had increased their original offer by more than 70 per cent. Both sides appeared satisfied with the outcome. "In a way," says Mr Wright, "they had had their day in court."

The total cost of the mediation was less than £20,000 for both parties. Avoiding two trials lasting as much as four months overall saved somewhere between £1m and £1.5m for each side, he says.

Even if mediation fails all that has been lost is the cost of a day's mediation, he adds. For it to work, however, both sides must be willing participants and they must have top managers there who are capable of taking decisions on the spot because the function of mediation is to persuade each side to move away from their entrenched positions.

ADR provides a cost-effective, simple and quick alternative to litigation. *It will not* always work and it will not be suitable in all cases. But as the Autocar case illustrates the potential savings are enormous. Business continues to ignore ADR at its cost.

LEGAL BRIEFS

Bank loses claim for negligence of property valuers

Commercial property valuers facing a pile of negligent valuation claims arising from the collapse of the London commercial property market should take heart from a High Court decision last week in a case brought by The Private Bank & Trust Company against Sallmanns (UK). The bank claimed to have made advances relying on an allegedly negligent valuation made by Sallmanns in June 1990 on an office development in north London. But the Court ruled that the commercial property market in London had not collapsed at June 1990 as the bank claimed and that the valuer could not reasonably have been expected to foresee the speed and extent of the imminent collapse in commercial property values. Hugh Williams, of solicitors Williams Davies Meltzer, who represented the valuers, said: "Encouragingly the court showed itself willing to place itself in the position of the valuer at a critical time in the commercial property market rather than adopting the bindsight vision of pundits who claim subsequently to have been able to foresee the market collapse and who suggest that the valuer in the field should likewise have done so."

Russian opening

London-based international law firm Linklaters & Paines have been appointed to advise local government agencies in Chelyabinsk, a previously closed part of Russia, on their dealings with foreign investors. Chelyabinsk region, in the southern Urals about 2,000km east of Moscow, is a leading centre for Russia's military defence and nuclear weapons indnstry and is ricb in natural resources. Linklaters expects keen interest from foreign oil and mining companies as well as the high-tecb industry.

PEOPLE

Hawley resigns from HMH

Mel Hawley has resigned as chief executive of Haden MacLellan Holdings, the industrial conglomerate, only a year after his promotion to the post.

His responsibilities have been taken on by Harold Cottam, appointed chairman last September, and by the beads of the two main divisions, Clive Mayhead and Richard Taylor.

Cottam says these two were "almost joint managing directors" so it was difficult for the chief executive "to add a great deal of value in operational terms".

As he, Cottam, bad been brought in to help "restore the group's fortunes, to look at its management structure and to transform its image in the City, it was difficult for the ceo to contribute in that area" either. He adds that Hawley, 47, lived in Yorkshire when the group's head office was in Surrey, and so he had "become a little remote". The parting was natural, with a reasonable settlement.

Hawley, a chartered accountant wbose links with companies that are now part of Haden MacLellan – notably London and Midland Industrials – go back more than 20 years, became chief executive in February last year when Philip Ling, his long-time leader, became non-executive chairman.

Cottam, formerly managing partner of Ernst & Young, is in the process of withdrawing from his remaining roles at tbe accountancy firm. He is spending most of his time witb HMH, which last year saw its first-half pre-tax profit slide from £7.9m to £2.4m and slashed its interim dividend.

One of the chairman's goals is to recruit a financial director – a new post for HMH. Cottam says: "In a sense everyone has been a finance director . . . and that's not the way to do it" – a neat piece of counter-culture when part of the Ling credo was: "It doesn't matter who gets it rigbt so long as someone does."

Non-executive directors

■ Brian Baldock (left), deputy chairman of Guinness, and Peter Birch, group chief executive of Abbey National, at DALGETY. Graeme Odgers will retire in April.

■ Bill Caldwell is to become chairman of H YOUNC HOLDINGS on the retirement in July of John Wilson.

■ Albert Hargreaves, former chairman of CI Group, as chairman at APOLLO METALS on the retirement of Bob Teare.

■ The Hon Charles Cayzer has resigned from DE MORGAN GROUP.

■ Peter Levine, senior partner at Teeman Levine, at SEVERFIELD-REEVE.

■ Ralph Hodge, former chief executive of ICI chemicals and polymers, at ENRON EUROPE.

■ Sir Ivor Cohen and Paul Lewis have resigned following AB ELECTRONIC PRODUCTS' acquisition by TT Group.

■ Brian Allison, founder of BIS Group, at UNITECH.

■ Michael Abrahams has resigned from GABICCI.

■ Shaun Dowling, a former director of Guinness, and David Tucker, e former director of M&G Group, at ML HOLDINGS.

■ Mark Littman and Ladislaus Rice have retired from BURTON GROUP.

Gottlieb: aiming to prick the rent balloon

Michael Gottlieb, owner of two London restaurants, has been elected joint chairman of the Property Market Reform Group, an organisation campaigning for changes to British property leases.

Gottlieb, 45, is a fierce critic of several "iniquitous" aspects of the commercial lease system, namely its lack of transparency, its hiased arbitration procedures, its npward-only rent review clauses and privity of contract, which makes original tenants liable if a subseqnent tenant defaults.

"Rents are now becoming the main cost factor for all retailers and the simple fact is that rent increases are forcing husinesses into bankruptcy," he says. "That is not the way to foster economic growth."

Gottlieb is the proprietor of Smollensky's Balloon and Smollensky's in the Strand. He became convinced of the need for reform of the commercial property system after writing an article in a trade magazine about his own experience. This generated a huge response from the restaurant industry; he is vice-chairman of the Restauranteurs Association of Great Britain, which is a memher of tbe Property Market Reform Gronp. This was launched last summer with the intent of persuading parliament to legislate against practices snch as upwards-only rent reviews.

Persimmon splits role

Yorkshire-based Persimmon, regarded as one of the best regional bousebuilders, is splitting the role of chairman and chief executive. The present incumbent, Duncan Davidson, will continue as executive chairman.

John White, 41, becomes group chief executive as part of a reshuffle of board responsibilities. White, wbo has been with the group since 1979, was formerly executive chairman of the housing division responsible for the Midlands and south east England, and is replaced by Mike Farley.

Mike Allen, 48, wbo has been with the group since 1976, becomes deputy chairman. He retains responsibility for tbe Yorksbire and north east England markets.

Davidson, 51, has ambitious plans to expand the company's size and has decided to strengthen senior management accordingly. "We would like to double output to about 4,000 homes a year by the mid-1990s," says Davidson who, with his wife, owns just over a fifth of the company. "The timing of expansion, however, will depend upon recovery in the housing market."

Davidson says the decision to split the functions of chief executive and chairman is in line with the recommendations of the Cadbury committee. He stresses, however, that the decision was not prompted by that report: "it is just coincidental that we believe this is the right thing to do for a company of our size and at our stage of development," he says.

Civil servants' stores

Working for The John Lewis Partnership, the high street retailer owned by its staff, has sometimes been likened to a career in the civil service – it is not hard to see why.

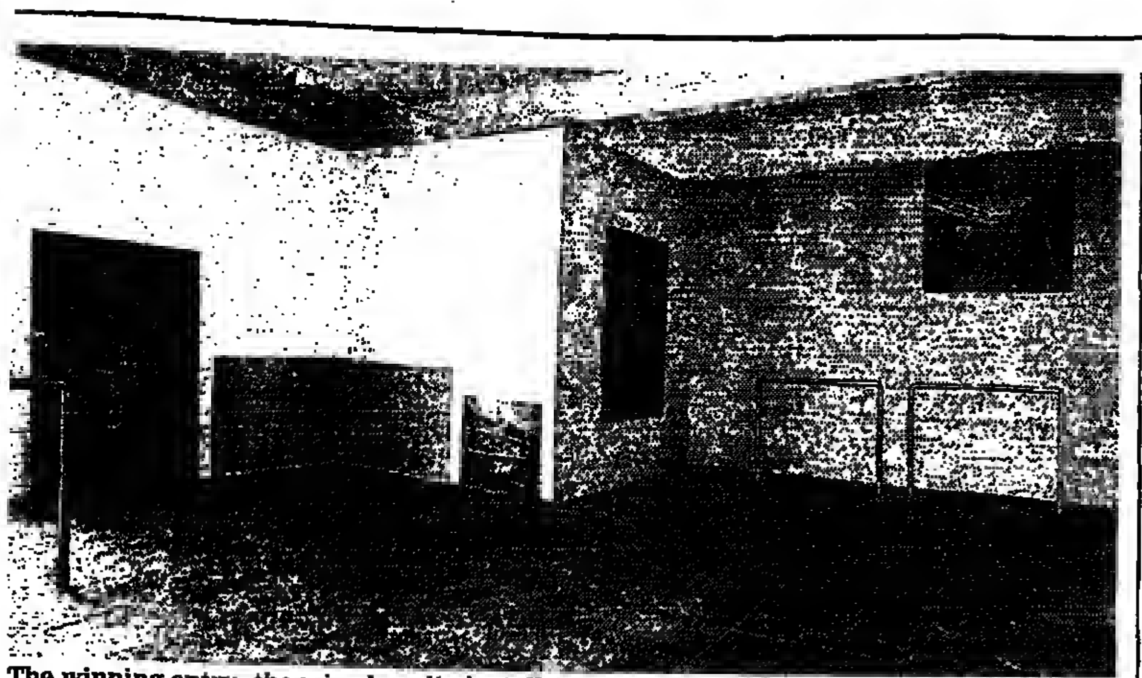
Stuart Hampson, 46, who took over as chairman yesterday, was a civil servant for 13 years and his new deputy chairman, David Young, 50, had worked almost twice as long as a civil servant as he has been a John Lewis partner. Both men are Oxford graduates and joined John Lewis in 1982.

David Young, wbo retains his joh as finance director, spent most of his civil service career in the Ministry of Defence, before joining John Lewis. Before becoming finance director he ran a number of stores including Peter Jones in London's Sloane Square. The deputy chairman traditionally chairs the principle executive committee, a conference of directors which discusses policy.

Meanwhile, tbe group has also promoted a third ex-civil servant to its board – Luke Mayhew, the 39-year-old director of research and expansion. Born in New Zealand and educated at Oxford also, he worked in the Department of Industry between 1974 and 1978. From there he went to Thomas Cook Travel and then British Airways where he rose

to be general manager human resources. In May 1991 he was appointed chief executive (Europe) of Shandwick, the troubled public relations group, and in June 1992 he joined the partnership.

ARTS



The winning entry, the mixed-media installation '8.30', by twins Jane and Louise Wilson

Crème de la crème goes sour

William Packer reflects on the Barclays Young Artist Award

Oh dear: here we go again – for nothing is more dispiriting than to find oneself yet again playing the critical curmudgeon when the whole point of the exercise is the celebration of youth and hope and precocious achievement. So the Barclays Young Artist Award comes round again, for the ninth time and, at £10,000 to the winner and a further £10,000 shared between the other finalists, very generous it is. Drawn from London's post-graduate colleges, nine young artists, if we count collaborating twin sisters as one, make it to this year's final exhibition – three from Goldsmiths'; four from the Slade; two from Chelsea; no-one from either the Royal College or the Academy Schools. Seven are women.

The young, like the poor, are always with us, and I am ever less convinced that they should be encouraged in this way. I can see well enough how attractive the scheme must seem – young artist starving in garret, help when most needed and all that – but in truth young artists need encouragement no more than the rest of us. Some of them, of course, have much to offer in prospect, but those committed to their vocation will persist in any case. As for the quality of the work, student work is by definition, well, student work. Test it in open competition by all means, but to limit it to itself is to indulge in a kind of special pleading.

But if there is to be such a student competition, one drawn more-or-less from the very cream of the country's art students, skimmed at their most ambitious and particular, the very least we might expect is a fairly broad trawl through the full range of student activity. A certain mature accomplishment might well be lacking, but in its place surely we should find some excitement, idiosyncracy, experiment, above all some variety. If you cannot take any risks when you are a student, when can you take them?

It seems that the riskiest thing to do nowadays, if student preference is aspired to, is to work directly from the visible world. Is there really not a single student in all the London post-graduate schools of a sufficient quality to interest the selection panel who is working from the life-model as painter or sculptor, or looking at landscape or still-life, or modelling or carving, or even welding and assembling, the unique object? Evidently not. Is it because such technical, disciplined and analytical instruction is no longer to be had in the modern art school? Are such arcane preoccupations actively discouraged? Who can say?

What we get instead, distilled in the Barclays' selection, is the critical orthodoxy of the international market-place of the late 20th century. The important thing is to strike an attitude, make a statement, present an image, an idea, a formula. If it is about art, or may be made to bear a feminist, socio-political or economic reading, so much the better. Glenn Brown (from Goldsmiths', that seminary of the thinking artist) makes paintings of reproductions of paintings, that follow every mark of the original images in the closest detail – yet offer nothing of their reality of surface and texture, and the active qualities of their making. They are "completely devoid of vitality" remarks the catalogue approvingly.

The only other painter is Suzanne Walker (Slade), whose large canvases each carry as image a single flat, black silhouette. These turn out to be derived from tower-blocks, thus enabling her "to discuss both the language of painting and its relevance to contemporary urban life ... the epitome of post-war idealism turned sour." Laura Thomson (Chelsea) is a painter too, of sorts, but makes of her painting a performance to be registered on video. A single line appears on the wall as she pulls away the strip of masking-tape. Face to the wall, her arm describes a broad black circle around her body.

The rest is sculpture, photography and installation. From high on the wall of an otherwise empty white space, the recorded voice of Georgina Starr (Slade) drones on in impenetrable, indulgent monologue, "a highly emotive 'absent presence'". Tacita Dean (Slade) offers a series of photographic tableaux after a "Martyrdom of St Agatha", she of the severed breasts. Siobhan Hapaska (Goldsmiths') has filled narrow channels of perspex with brown sugar to make cumulative minimalist reliefs, thereby, we are told, "redefining categories, discovering unexpected potential for speeded up or slowed down communication."

Hilary Wilson (Slade) makes wooden bed-ends that she leans against boxes of various sizes, confounding expectations of ease and comfort, these rather "sites of physical displeasure and psychic unease." Renato Niemis (Chelsea) has simply made two small rooms or large boxes, roughly the size of a rubbish skip, and as roughly made of timber and board, the one floor carpeted, the other plain. The artist stresses "the inadequacy of these meagre, jerry-built structures as containers for human aspirations."

And at last we come to the joint-winners of the Award, the Wilson twins, Louise and Jane (Goldsmiths'), with their photographic and mixed-media installation, a metal crush-barrier, a patch of paint, a number of photographs leant negligently against the wall, showing corners, stairs and doorways littered with odd scraps and remnants, vaguely suggestive of some active destruction. The ensemble arouses "the guilty suspicion that one is somehow responsible for the sordid circumstances, if only through indifference or neglect." Or not, as the case may be.

The Barclays Young Artist Award Exhibition, 1993: The Serpentine Gallery, Kensington Gardens W2, until February 28; sponsored by Barclays Bank

Ballet/Alastair Macaulay

Thoughts on 'The Sleeping Beauty'

Music is one thing, movement is another. But put the two together, and the amalgam is something else again. To hear Tchaikovsky's score for *The Sleeping Beauty* is marvellous, but not half as marvellous as hearing it accompany the vision Tchaikovsky had in mind. And here is the main pleasure of Ninette de Valois's 1977 Royal Ballet production of *Beauty*, 90 per cent of the time. Simply, it tells its story with near-constant musical detail. To return to this after three years in which London has seen both Bolshoy and Kirov productions is like walking through clover after mining for gold.

Looking again at de Valois's staging, I marvel at the near-perfect harmony (until late in Act Two) it weaves between sight and sound. This is at its clearest in the big mime scenes – at the end of the Prologue, for example, when Monica Mason's slighted Carabosse lays her fateful prophecy on the royal court and Genesia Rosato's Lilac Fairy overrules her; or when Rosato returns in Act One, to reassure the court about the lifeless Aurora ("She is not dead, but sleeps"). Every gesture, every opening of an eye, every lighting effect, makes a visual frame that answers the music's tapestry movingly.

Yet however good it is to see this *Beauty*, listening to Mark Ermler's conducting of the score brings no joy. He has flamboyance and panache, yes; but he clots the lucid textures of Tchaikovsky's wonderful orchestration, and – worse – he keeps tugging the music from beneath the dancers' feet by his notions of rubato. Royal Ballet dancers try to be careful timekeepers at all times, but if the company is fully to recover from its 1980s recession, it must recover its old musicality and dance in real phrases. With conducting as egotistical as Ermler's, however, this will not be possible.

Darcey Bussell, dancing her first Princess Aurora on Saturday night, coped more than handsomely with the double threat of debut nerves in the supreme 19th-century classical role and a difficult maestro. When Kenneth MacMillan made the ballerina role of his three-act *Prince of the Pagodas* on her, he was preparing her for this role. (He dedicated his production to Margot Fonteyn, the Royal's greatest Aurora.) And if Bussell now learns to unfold all the role's musical and poetic nuances, she will reward both us and herself for years to come. Already she combines expansiveness, innocence, and technical command in near-ideal measure.

There has never been anything wrong with this production that could not be put right by listening to Tchaikovsky more feelingly. The two big Act Three pas de deux – for the Bluebird and his Princess, and for Aurora and her Prince – are conceived too little as musical revelations of character, too much as showstopping arrays of big steps. And the production has already begun to flag – in lighting, musical timing and dramatic sense – as the Prince enters the Lilac Fairy's boat to the sleeping castle. Why do we see Carabosse when the music tells us she is just a memory? Why does the Prince keep looking *back*? And so on.

The Royal is dancing *Beauty* with more confidence and attack than in the late 1980s. Among the many soloist performances on Saturday, Nicola Roberts and Bruce Sansom stand out. Jonathan Cope, dancing the Prince, is no actor and (unlike Bussell) has no assurance in addressing an audience. But he is noble in the way he stands, in the flowing amplitude of his dancing, and in the self-effacing good manners of his partnering. He and Sansom are almost alone among Royal male dancers in the way they do not try to take their steps by force.

As for the women, Bussell is almost the only one under the age of 30 who is truly classical. In current Royal Ballet style, you try to dance firm and brisk beneath the waist, and soft and gentle above the waist; and then, like an afterthought, you try to synchronise the two. (Not everybody succeeds.) Royal dancers are more classical and more vivid when they mime, because then they follow a single impulse. But this mime/dance dichotomy used not to exist here, and it should not now. Dance should simply take mime virtues and make them lyrical and brilliant. And Tchaikovsky's score tell you this too.

In occasional repertory at the Royal Opera House, Covent Garden, until April 3

Alastair Muir

Darcey Bussell, who made her debut on Saturday as the Royal Ballet's latest Princess Aurora

Concert/Richard Fairman

Elgar's Lux Christi

One of the passing benefits that accrue from the present fashion for recording entire areas of a composer's output is that live concerts often include rarities which one would not otherwise hear. Over the past couple of years Richard Hickox has been working through Elgar's oratorios and he has now reached obscure territory.

The latest instalment is *Lux Christi*, or "The Light of Life", as Elgar's publishers preferred to call it. Timed with an eye on the market-place, where Hickox's recording of *Caractacus* has just arrived this month, Sunday's performance at the Barbican could well win supporters for a work that has been so overshadowed by the masterpieces that followed as almost to disappear into oblivion – a forgotten prototype for the fully-finished product.

Elgar remarked in later life that *Lux Christi* had been conceived against the odds, by a poor wretch teaching all day, resigned to composing after dinner with a splitting headache. But, he added, the "spirit and will" were there. That shows through not in any tangible sense of resolve, for the music lacks direction and its quality is up-and-down, but in its very personal tone. This is a score which searches deep in its soul for what it wants to say at its finest moments.

In this performance those almost always occurred when Jesus was singing, in the person of the bass John Shirley-Quirk. His magnanimity of utterance and long-breathed vocal lines remain as imposing as ever. Arthur Davies sang the blind man who is restored to sight, not without some constriction in the voice, though he has both the outgoing romantic ardour and the quiet sense of wonder for the music. Judith Howarth was the soprano Mother; Linda Finnie the contralto Narrator.

The choruses are not the work's strength. Elgar was still feeling his way towards the grand structures that crown his mature oratorios, but the London Symphony Chorus concealed how four-square much of the writing is with their sheer energy. Hickox himself, conducting an attentive London Symphony Orchestra, still rushes at climaxes, which arrive in a few bars rather than over several pages, as they should: but his passionate Elgar is preferable to the old, sedate style.

Unlike its successors, *Lux Christi* is short enough to allow another piece in the first half of a concert. On Sunday, that should have been Maria Joao Pires to what one imagines would have been a deeply-considered performance of Beethoven's "Emperor" Piano Concerto, but Pires was ill and her place was taken by Joo Kimura Parker – ruthlessly exact, a brilliant organiser of the pianistic effects that make the surface of this concerto sparkle, but not often more.

Vienna Opera

Varady in 'Otello'

On Saturday Julia Varady sang her first Desdemona at the Vienna State Opera, which provided her with with a well-worn production by Peter Wood, and a seasoned Otello and Iago. Or rather, perhaps, over-seasoned in the case of Vladimir Atlantov, and under-seasoned in that of Renato Bruson. Neither of them seemed remotely inclined to adjust his standard performance to his colleagues. Atlantov bawled at unstinting volume – sometimes effectively, but sometimes pitched wild – and hammed in a manner one had thought long gone; Bruson stamped gruffly through his role, a solid character without subtlety.

In the circumstances Miss Varady made a brave but qualified impression. Her keenly focused voice made her partners sound rough, and passages in the mezzo range told more strongly than lighter-voiced sopranos can make them do. Her musical intentions were admirably precise, her dignity impeccable. In the other hand, she cannot pass for Italian; her timbre does not float, and the curves in her line never suggested lyrical Innocence – at some cost to the essential pathos. Her brimming vitality and self-possession do not make an Ideal Desdemona.

As Emilia, Roderigo and Montano, Margarita Lilova, Wilfried Gahmlich and Claudio Otelli were all more than competent. Benedikt Kobel, singing his first Cassio here, cut an unusually personable young figure – a plausible ladies'-man, for once – though his tenor began to display some colour and ring only in Act 3. The Vienna chorus stood in lines and walked through their well-trodden moves without excitement; the Vienna Philharmonic offered moments of beautiful playing, though Adam Fischer's conducting was unequal to the full range of Verdi's great score. He and Bruson wrong-footed one another throughout the evening.

David Murray

Jazz/Garry Booth

Matinee idols

Philip Larkin loved to hate Archie Shepp, the US tenorist who shared a double bill earlier this week at Islington's Union Chapel with cornettist Nat Adderley. Larkin thought his sound was "like *Flight of the Bumble Bee* scored for bagpipes and concrete mixer". In those days, the mid-1960s, Shepp and his avant-gardists claimed they were trying to make order out of chaos. Twenty-odd years on, the old order has prevailed and the brutal stylist has given way to a populist blues-inflected post-bopper.

Accompanied by his regular band of Horace Parlan (piano), Wayne Dockery (bass) and Steve McCraven (drums), Shepp began in a lugubrious mood but progressed through mellow compositions from his last album *I didn't know about you*, to a funk piece which involved James Brown style "ow" exclamations.

Surprisingly, given his doleful appearance, old Shepp has a fine singing voice which he uses enthusiastically – a deep blue baritone crooning on a ballad like his own "Déjà Vu" or shouting the blues, which he is also prone to.

The tenor playing, while it retains much of the gruffness and rough edged familiarity with the melody, is growing more friendly with age and Shepp sounds more comfortable savouring a ballad than punching out tough phrases. Parlan, who shares the writing with the leader, is an empathetic accompanist and combines a Monk-ish right hand with a less percussive left for bitter-sweet chords.

Cornettist Nat Adderley leads a similarly distinguished regular band which features elder statesman Jimmy Cobb in the traps and the promising young altoist Vincent Herring, alongside Walter Booker on bass. An altogether more zippy affair, Adderley's set is delivered with gags and patter while the numbers swing hard and fast.

Younger brother to the late altoist, Cannonball Adderley, Nat is an agile horn player and alternates between the crisp, silvery tones of the muted instrument and fatter, unfettered blowing. Choice material, from Zawinul's "Scotch & Water" to his own big earner, "The Worksong", is moved along briskly by Bargad who pecks away at the keyboard furiously and Cobb, a metronomic time keeper. Booker, a ragged improvisor, provides dark shading for Adderley (in "Autumn Leaves" for example) and natters cheerfully throughout young Herring's fierce solo spot in Hank Mobley's "This Idea Of You".

Islington's Union Chapel, incidentally, is an unusual and atmospheric addition to the London jazz circuit, though the reverberating sound may not be to everyone's taste. The octagonal floorplan and cavernous vaulted roofspace accommodated over 1000 worshippers for the Adderley/Shepp double-bill whose Sunday matinee performance commenced shortly after a handful of Congregationalists had left their pews!

INTERNATIONAL

ARTS GUIDE

AMSTERDAM

Muziektheater Tonight, Fri and next Mon: Christoph Prick conducts Richard Jones' production of Der fliegende Holländer (in repertory till Feb 21). Tomorrow: Nederlands Dans Theater in works by Hans van Manen, Jiri Kylian and David Parsons. Feb 12: first night of Dutch National Ballet mixed bill (6255 455)

Concertgebouw Tonight: Julian Bream guitar. Tomorrow and Thurs: Myung-Whun Chung conducts Royal Concertgebouw Orchestra in Rakhmaninov. Sat: Gidon Kremer soloist with Netherlands Chamber Orchestra. Sun: Alexander Toradze piano recital. Next Tues: James Bowman heads cast in Handel's Israel in Egypt. Next Wed and Thurs: Giulini conducts Royal Concertgebouw (6718 345)

■ BRUSSELS

CONCERTS

Georges Octors conducts Walloon Chsmber Orchestra in works by Mozart, Bach and Gluck, with soprsno soloist Aga Winska. Thurs: Ronald Zollman conducts Belgian Nationsl Orchestrs in works by Mendelssohn and Mozart, with soloists Tabea Zimmermann and Hagai Shaham. Fri: Pierre Bartholomae conducts Liege Philharmonic Orchestra in works by Haydn, van Rossum and Beethoven. Sun afternoon: Muhai Tang conducts Royal Flanders Philharmonic Orchestra in works by Liszt, Dohnányi and Dvořák, with piano soloist Ju Hee Suh. Mon: Philippe Herreweghe conducts Mendelssohn's Elijah, with soloists including John Mark Ainsley. Feb 18: Anne Sophie Mutter (Palais des Beaux Arts 507 8200)

THEATRE

The main event this month is a production of Ibsen's John Gabriel Borkman directed by Luc Bondy and designed by Erich Wonder. First night Feb 13, daily except Mon till Feb 21 (Théâtre National 217 0303)

■ CHICAGO

CHICAGO SYMPHONY

Daniel Barenboim is conductor and soloist on Thurs, Fri and Sat in a programme including works by Mozart and Rimsky-Korsakov and the world premiere of a new work by Melinda Wagner (435 6666)

CHICAGO LYRIC OPERA

Zubin Mehta conducts August Everding's new production of Das Rheingold tomorrow and Sat (also next Tues and Fri). The cast includes James Morris, Ekkehard Wlaschiha, Tatiana Troyanos and Bryn Terfel. Fri, next Tues and Sun: Un ballo in maschera with Antonella Banaudi, Taro Ichihara, Paolo Gavanelli and Fiorenza Cossotto (332 2244)

■ PARIS

DANCE/OPERA

Palais Garnier La Bayadère: Nureyev's Opera Ballet production can be seen tomorrow, Thurs, Sat, Mon, Tues and Wed. Feb 23-27: Pina Bausch Tanztheater Wuppertal (4017 3535)

Théâtre de la Ville Anne Teresa de Keersmaeker: the Belgian choreographer's experimental dance group Rosas presents a new work entitled Erts, music by Beethoven, Webern and Shnitke, daily till Sat. Feb 9-13: Studio DM presents new work by Catherine Diverres. Feb 16-21 Nederlands Dans Theater (4274 2277)

Opéra Bastille Les Contes d'Hoffmann: Vinson Cole, Jean-Philippe Lafont, Mara Zampieri and Natalie Dessay head the cast in Roman Polanski's production, conducted by John Nelson (next performances tomorrow and Mon, in repertory till Feb 27). Un ballo in maschera: Thomas Fulton conducts Nicolas Joel's production, with Dennis O'Neill and Gabriela Benackova (next performance Sat, in repertory till Feb 20). Thurs: Dmitri Hvorostovsky song recital. Fri: Hedwig Fassbender song recital (4001 1616). Next Tues at Opéra Comique: first of six performances of Mozart's Ascanio in Alba (4286 8883)

CONCERTS

Théâtre des Champs-Elysées Tonight: Heinrich Schiff joins Alban Berg Quartet in Schubert chamber music. Tomorrow: Philippe Herreweghe conducts Mendelssohn's Elijah. Thurs: concert performance of Werther. Sat: concert performance of Iphigenie en Tauride, with Martine Dupuy. Sun: Maria Joao Pires piano recital (4720 3637)

Châtelet Tonight: Yvonne Kenny song recital. Next Mon: Pierre Boulez conducts Philharmonia Orchestra in works by Boulez, Elliott Carter and Messiaen, with soloists including Maria Ewing (4028 2840)

Salle Pleyel Next Mon: opening of week-long residency by Berlin Philharmonic Orchestra, during which Claudio Abbado will conduct a Brahms cycle with soloists including Maurizio Pollini and Maxim Vengerov (4563 0796)

JAZZ/CABARET

Jazz Club Lionel Hampton Strunz and Farah, two virtuoso guitarists whose music combines Latin American rhythm with Spanish, Oriental and African improvisations. Daily till Sat, music from 22.30. Feb 8-20: organist and trumpeter Joey DeFrancesco, American swing virtuoso (Hôtel Meridien Paris Etoile, 81 Boulevard Gouvion St Cyr, tel 4068 3042)

■ WASHINGTON

KENNEDY CENTER

Opera House: American Ballet Theatre presents a mixed bill including works by Mark Morris and Balanchine (tonight, tomorrow, Thurs) and a tribute to Agnes de Mille (Fri, Sat, Sun). Concert Hall: Paavo Berglund conducts National Symphony Orchestra in works by Mendelssohn, Schumann and Haydn, with piano soloist Eliso Virsaladze (tonight), and Debussy, Brahms and Prokofiev with violin soloist Midori (Thurs, Fri, Sat). Vienna Chamber Orchestra gives a late afternoon concert on Sat, and Jean-Pierre Rampal's flute recital on Sun afternoon. Feb 14: Georg Solti conducts Vienna Philharmonic. Feb 15: Charles Dutoit conducts Philadelphia Orchestra. Eisenhower Theater: Washington Opera's season continues next week with La Cenerentola on Mon and Bizet's Pearl Fishers on Tues. Feb 20: Turandot with Eva Marton (202-467 4600)

BALTIMORE SYMPHONY ORCHESTRA

Thurs and Fri at Joseph Meyerhoff Symphony Hall: Christopher Seaman conducts Gerhard Samuel's Looking at Orpheus Looking, Rakhmaninov's Second Piano Concerto (Garrick Ohlsson) and Shostakovich's Fifth Symphony (410-783 8000)

THEATRE

● The Comedy of Errors: Shakespeare's comedy directed by John Retallack. Till March 14 (Shakespeare Theater at the Lansburgh 202-393 2700)

● The Alchemist: Ben Jonson's play of greed and deception. Till Feb 21 (Washington Stage Guild 202-529 2084)

● It's the Truth, If You Think It Is: Pirandello's mystery thriller directed by Liviu Ciulei. Till Feb 21 (Arena Stage 202-488 3300)

JAZZ/CABARET

Blues Alley Jazz Supperclub Tonight: Rebecca Paris, jazz vocalist. Tomorrow: Kevyn Lettau, vocals. Fri, Sat, Sun: Stanley Jordan, guitar. Next Tues-Sun: Jerry Butler (1073 Wisconsin Ave, in the alley, 202-337 4141)

Barns of Wolf Trap Thurs: The Nighthawks, blues, boogie, rock and roll. Fri: Jerry Gonzalez and Fort Apache Band, Latin jazz. Sat: Livingston Taylor, acoustic folk guitarist (703-218 6500)

■ ZURICH

Opernhaus Tonight: Riccardo Chailly conducts Mahler's Seventh Symphony. Tomorrow and Sun: Nikolaus Harnoncourt conducts the Ponnelle production of Così fan tutte, with Lucia Popp and Ann Murray. Thurs and Sat: choreographies by Nijinski, Bernd Bienert, Arthur Saint-Léon and Jorma Uotinen. Fri: Die Fledermaus (262 0909)

Tonhalle Tomorrow and Fri: Christoph Eschenbach conducts Tonhalle Orchestra in works by Mahler, Chopin and Strauss, with piano soloist Tzimon Barto. Thurs: American String Quartet plays works by Haydn, Mendelssohn and Brahms. Feb 14: Alfred Brendel (206 3434)

Theaterhaus Gessnerallee Impressions de Pelleas: Peter Brook's Debussy adaptation, daily till Sat (221 2283)

European Cable and Satellite Business TV

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MONDAY TO THURSDAY

Super Channel: European Business Today 0700; 22.30

MONDAY

Super Channel: West of Moscow 1200.
Super Channel: Financial Times Reports 0630

THURSDAY

Sky News: Financial Times Reports 2030; 0130

FRIDAY

Super Channel: European Business Today 0700; 1200; 2230
Sky News: Financial Times Reports 0530

SATURDAY

Super Channel: Financial Times Reports 0830
Sky News: West of Moscow 1130; 2230

SUNDAY

Super Channel: West of Moscow 1830
Super Channel: Financial Times Reports 1900
Sky News: West of Moscow 0230; 0530
Sky News: Financial Times Reports 1330; 2030

Fight for the final frontier

Daniel Green and **Leyla Boulton** on the rise of Russia's satellite launch industry

Russia has offered to launch South African satellites on converted SS-18 or SS-25 intercontinental ballistic missiles

In Kazakhstan, Russian rockets are being readied to take on their US and European counterparts. The US vice-president has called for a tough line to be taken to delicate talks between Washington and Moscow. China is waiting in the wings to pick off the losers.

It may sound like the cold war, but it is 1993 and the battleground is commerce, not ideology. The prize is a slice of the commercial space launch market worth $2bn a year.

The Russian space industry is offering to launch western satellites for about half the cost normally paid in the west, and to some cases much less.

But a price war could undermine western companies' struggle to diversify out of defence contracts. The Clinton administration has indicated that it might protect what it sees as a strategic industry and end the Bush doctrine of supporting this area of Russian industrial strength.

Cut-price launches would bring many benefits. Telephone calls and satellite television should become cheaper. There could be improvements in air traffic control, weather forecasting and environmental monitoring. Companies might be able to make economic use of the weightlessness and vacuum of space in precision manufacturing.

Many western companies are keen to capitalise on Russia's price advantage in the space industry. "Everyone who wants to put up satellites is thinking about the Russians," says an executive at an international satellite services operator.

In December, for instance, London-based Inmarsat, one of the world's top satellite operators, gave Russia its first commercial launch contract, worth $36m. The equivalent launch with the international market leader, Europe's Arianespace, costs more than $60m.

More western contracts should follow. Lockheed, one of the largest US defence contractors, has signed a pact with Russia's Khrunichev Enterprise, the builder of the world's most reliable rocket, the Proton. The joint venture will try to sell cut-price launches on Protons to companies and governments around the world.

"This is the tip of an iceberg that will lower the cost of transportation into space," says Mr Mel Brashears, assistant general manager of Lockheed Missiles and Space.

The iceberg is big enough to threaten the dominance of the west's launch industry. Built on the requirements of arms and space races, the Russian space industry still launches more than 50 rockets a year for scientific and medical research, ground observation, and telecommunications. Mr Yuri Milov, deputy director of the Russian Space Agency, says it could presently conduct four to five big commercial launches a year, and more in future with foreign investment. Arianespace, by comparison, had 10 launches last year.

The western launch industry also has roots in defence and is suffering from the fall in the value of contracts which has followed the end of the cold war. Many defence companies have tried to diversify into civil work such as commercial satellite launching.

Four western companies have been successful in this business. Paris-based Arianespace, owned by more than 50 European aerospace and finance companies and five governments, has half the market and sales of FFr5bn (£600m) a year. Its FFr14bn order book represents three years' work.

Share of global communications satellite market (% share)

Completed 1981-1991	
US	34.4
Europe	18.7
International	18.0
Rest of world	28.9
Forecast 1992-2003	
US	22.8
Europe	23.4
International	20.7
Rest of world	33.1

*Forecast; Source: Euroconsult

In the US, General Dynamics and Martin Marietta, both defence contractors, have their Atlas Centaur and Titan rockets, and McDonnell Douglas, the aerospace company, has the Delta rocket. Their biggest customer is still the US government, but they also undertake commercial contracts.

Despite Arianespace's dominance in launching commercial satellites, it is in the US where efforts have been greatest to ward off the Russian assault.

Vice-president Al Gore has endorsed industry calls for "fair market pricing" and limits on the number of launches made by eastern competitors.

"The emergence of [space industry] competitors from non-market economies increases the opportunities for predatory pricing – the very same economic weapon that foreign countries employed in the 1980s to target and destroy the American manufacturing base," he said in a speech immediately prior to the November elections which outlined the incoming administration's aerospace policies.

The Clinton administration has the power to prevent Russian commercial launches by refusing export licences for satellites. This would be a reversal of the previous administration's policy of encouraging both the Russian and Chinese space industries in an attempt to encourage economic reform.

Lockheed is confident that Washington's authorisation of its deal with Khrunichev, at a time when Bush administration officials were working closely with their successors, is a sign that policy will not change much.

Yet the pressure for protection of the western launch industry is likely to strengthen as Russia seeks to increase its commercial launches.

Further Russian price cuts are already on the table. Russia has offered to launch South African satellites on converted SS-18 or SS-25 intercontinental ballistic missiles. The sophisticated guidance systems in the missiles should allow the accurate placing of a satellite in orbit. The price is $10m.

In an attempt to avoid a damaging dispute, Russian government and industry officials are holding informal talks with their American counterparts, as well as with the European Space Agency and European Commission. A tripartite deal setting quotas and price floors for Russian launches could emerge later this year.

But commercial pressures may quickly mount. Within days Eutelsat, the Paris-based group which provides satellite telecommunications between European countries, will choose to launch its next satellite with either General Dynamics, Arianespace or Proton. Mr Jean Grenier, Eutelsat's director general, acknowledges his organisation's pro-European "solidarity" with Arianespace and a recent success with the General Dynamics rocket.

But the Russians also get approval: "We need reliability and a good price and without any doubt the Russians have a lot of experience, they have invested a lot of money and talent in their space industry."

A second contract for Proton would confirm the arrival of the Russians as a significant presence in the satellite launch market. But in so doing, it might also increase the prospect of a trade war in space.

Joe Rogaly

Catching up on the Field

Sir Norman Fowler should spend his evenings in Durham this week. It is the duty of the chairman of the Conservative party to watch out for constructive thinking in the Labour Party. If Sir Norman tiptoes into the Exhibition Hall on Palace Green and stands silently at the rear he will strike paydirt. He will hear the Labour MP for Birkenhead, Mr Frank Field, deliver four lectures on why his party always loses, and how it can win.

Let me explain why Sir Norman will find it worthwhile to make a few clandestine trips. He is not asked to travel north in the expectation that he will discover how to prevent the opposition from winning. There is no danger of that. Labour will not listen to what Mr Field says. It never does. It would not do so if Nostradamus descended from Heaven and predicted that heeding the words of the member for Birkenhead would guarantee a majority of 50 seats at the next election and 100 at the one following. No, the prize to be had in Durham is in the form of a fresh stimulus to *Tory* thinking.

Such a trophy has been picked up before, and from the same source. In 1976 Mr Field advocated that Labour should transfer the ownership of council houses to their tenants. The people's party rejected his proposal. The then Mrs Thatcher's hard-faced Tories made a vote-winner out of it. "No policy...comes anywhere near to having the impact this...has had in summing up what political parties stand for," says its self-proclaimed author now. "While the Conservatives scooped the advantages, Labour's fractious opposition to the sale of council houses marked its card equally clearly." The text of Mr Field's first Durham lecture is a touch braggadocio, but the general conclusion it draws is inescapable.

Conservatives have consistently presented themselves as on the side of those who want "freedom to get on and build their own lives", he said last night. Labour has as strenuously contrived to be seen as the party that wants "to hold people down". All the currently fashionable theories about why it lost the past four elections are brushed away in favour of this simple observation.

It is the duty of the chairman of the Conservative party to watch out for constructive thinking in the Labour party

Long before Mrs Thatcher came along people were "opting for their own form of privatisation" by building their own world, one which "ruthlessly excluded officialdom." Money taken in taxes competed with the cost of new kitchens, bathrooms, or family holidays. The Tories understood and encouraged this; Labour did the opposite. Mr Field points out that one of Mr John Major's prominent speaking engagements in last year's election campaign was at a do-it-yourself store.

This perception that Labour must appeal to the *aspirations* of the ordinary voter is not new. It is at the centre of the thinking of most of the "modernisers" in the Labour party, including Mr Peter Mandelson, Mr Giles Radice, Mr Nick Raynsford and the potential leader of a resurgent opposition, Mr Tony Blair. It is emphatically not the same as saying that any party hoping to win must ape the Conservatives.

Mr Field is no closet Tory. In his second lecture tonight he will draw on his position as chairman of the parliamentary select committee on social security. When Baroness Thatcher was in office she occasionally called him in for a chat. Now he is merciless in his analysis of the divisive effect of her government's policies. He flays her with accusations. The very rich have done very well. The rest have not. The bottom 80 per cent have not increased their share of total income, no matter how you measure it. The top 20 per cent have. The pay of the poorest tenth of British male wage-earners is now lower, as a proportion of median earnings, than it was in when records began in 1886. The number of people dependent on welfare has grown more since 1979 than it did in the previous 30 years. Two-thirds of the population live in households with incomes below the average.

Old Labour reaches two old conclusions. Either more must be spent on social security, or the present budget should be reallocated. The leader of the party, Mr John Smith, has appointed a Commission for Social Justice to see how these alternatives can be worked out. Echoing President Bill Clinton, Mr Field wants to get people off welfare. He wants total spending reduced, individual dependent's incomes increased. He proposes a "Commission on Economic Opportunity" which would work out policies necessary to re-establish full employment as a Labour goal. Another Labour thinker, tha self-exiled Mr Bryan Gould, was talking of much the same thing in the BBC TV programme "On the Record" at the weekend.

I hope Sir Norman is still listening tomorrow night. As a former social security minister and the progenitor of private pensions, he should turn on his tape recorder. The member for Birkenhead proposes to "give people control over their own pension capital..." He clearly believes that in this he has a winner equivalent to the sale of council houses. His complex exposition of the idea indicates that he is better placed to point the way than he is to draw the map. He recognises that unitisation of pension assets would jeopardise the principle that pensions should equal half to two thirds of final salaries. He wants a phased-in move to "voluntary friendly societies" in which individuals, not employers, own the funds. Money purchase schemes should be reformed; employers should continue to contribute, as the best do now.

Mr Field has floated other big-bang wheezes. He has suggested that the savings on state pensions could facilitate a cut in the standard rate of income tax to 15p. He has favoured "workfare" as a concomitant of full employment. The common thread has been to give people the dignity of earning their own money, while allowing them to keep as much of it as possible. Sir Norman might laugh and say that that is what Conservatives want. Mr Field tries to show how his party might successfully offer an alternative, one that serves the interests of the bottom 80 per cent. We will have to take Labour seriously when it overcomes its understandable irritation at the bumptiousness of the member for Birkenhead and adopts his central theme. Meanwhile, the pickings are there for Sir Norman.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

UK export effort in danger

From Mr J A Larkin.

Sir, Trade Indemnity's paper on the reinsurance of export credits ("Warning over lack of cover for exporters", January 26) highlights a major concern.

Recent publicity abont tha portfolio management system and the problems of obtaining medium-term support from the government has overshadowed a potentially far more serious problem for the majority of UK exporters. We estimate that if political risk capacity cannot be found either from the government or the private sector £4bn of UK exports could be left unprotected. Most UK companies could not take these risks themseives and would have to withdraw from the markets involved.

This would be a disaster. We therefore hope the government will take these proposals for a partnership with the private reinsurance market seriously and give all assurance to UK exporters that they will continus to top up NCM Credit Insurance's existing reinsurance arrangements as long as this is necessary.

James Larkin,
deputy chairman,
Credit Insurance Group.
Centre Point,
103 New Oxford Street,
London WC1A 1DU

Depressing not to have manufacturer among rights issues

From Mr R M Dantzic.

Sir, I find it somewhat depressing that the rights issue season should have "kicked off" without any representation from the manufacturing sector. With the government's beavy funding programme, equity capital is likely to be in short supply and, accordingly, the City's traditional "first come, first served" method of allocating capital needs to be supplemented with a more proactive approach. Institutions, and company corporate advisers, should be encouraging the manufacturers and exporters to re-finance to take advantage of the opportunities created by sterling's decline rather than the retailers and importers of whom we already have a surfeit.

R M Dantzic,
12 Bedford Road,
Moor Park,
Northwood, Middx HA6 2AE

Matter of course, not eccentric

From Masamitsu Igaki.

Sir, I read your newspaper's article (January 25) about Yanase, a Japanese car dealer which makes staff use public transport to get to work, with much interest. The article presented the policy as unusual and even eccentric. However, I take it as a matter of course.

In Japan for a long time many office workers have been told by their employers to use trains and buses in big cities.

Yanase was a special case because the workers were allowed to drive into the city centre. The only reason was that they dealt in cars.

The article also included a comment from the Japan Automobile Manufacturers' Association. It thought it was more important to improve the transport infrastructure. This response is quite understandable. Car manufacturers are always sited outside cities in the countryside. For workers in these factories there is no alternative but to use their own cars. For city centre workers, however, using public transport is the rule rather than an eccentric exception.

Masamitsu Igaki,
c/o Linguarama,
1 Elm Court,
Arden Street,
Stratford upon Avon

Gains may be costs

From Mr Philippe Legrain.

Sir, Samnel Brittan (Economic Viewpoint, January 28) suggests an exercise for "some economic modeller (not for the busy executive)". As a not-so-busy student at the London School of Economics, I believe his qnestion sbould be rephrased.

He suggests weighing up the gains from the boost to output provided by a larger budget deficit in a recession and the costs of a higher debt burden to future generations.

But what if the gains are in fact costs? The unprecedented slide from fiscal virtue to fiscal debauchery of about 6 per cent of GDP to two years has been accompanied hy prolonged recession and high long-term interest rates (which cripple the investment needed for future growth).

In contrast, the fiscal tightening of a similar size in 1981 produced rapid growth and falling interest rates. Mr Brittan seems harnessed to the failed pseudo-Keynesian ideas of the past.

Britain can only gain from cuts in profligate current expenditure which is undermining confidence and hampering present and future growth.

Philippe Legrain,
88 Lansdowne Road,
London W11 2LS

No urging on ERM

From Mr Yasuo Nozaka.

Sir, I am writing in connection with your article "Japanese urge Britain to re-enter ERM" (January 28). This referred to a speech given by Minister Tamon Kitabatake of this embassy to a seminar held by the Anglo-Japanese Parliamentary Group on January 27.

When I read the article I was concerned that the headline and the first paragraph might be somewhat misleading, as they imply that Japan is urging Britain to re-enter the exchange rate mechanism. What Mr Kitabatake stressed was the importance of a stahle pound for Japanese investment. He did not urge Britain to re-enter the ERM.

We appreciate that re-joining the ERM is a matter of considerable political and economic significance, and we would certainly not take it upon ourselves to urge npon the UK government any particular course of action.

Yasuo Nozaka,
director, Japan Information and Cultural Centre.
Embassy of Japan,
101-104 Piccadilly,
London W1V 9FN

Coal recommendations should not be accepted

From Dr Harold Hughes.

Sir, Yonr editorial ("The committee and the colliers", January 30) on the the subject of the trade and industry select committee's report on the coal industry has the same reassuring statement about the lack of effect on the natural gas industry which the authors of the report would like the public to believe.

The offshore natural gas producers do not share this comfortable view; neither should those employed in the offshore industry or the 300,000 whose onshore jobs support its activities.

The committee's recommendations threaten both existing and new gas-fired power plants (CCGTs) and therefore the offshore projects supporting them. The committee recommends reducing gas use on existing projects, ignoring the substantial capital investments already made and the contracts entered into. Future CCGTs and offshore developments are the subject of recommendations to restrict their development, despite the fact that the committee has had to admit that not a single witness challenged the position that gas-fired plants are the cheapest form of new power generation.

In our view the committee failed properly to address the consequences for gas arising from its recommendations. Its consideration of the gas side of the energy balance was perfunctory and its conclusions on the subject buried away to several places. There was no attempt at a full and impartial study of the implications for Britain's vigorous offshore industry arising from the overall recommendations.

This offshore industry, far from needing expensive long-term subsidies, is itself a significant taxpayer, having contributed over £115bn since operations began. It is responsible alone for a quarter of all the investment to UK's productive industry.

It is time the 55,000 workers whose jobs will be affected if the government adopts these recommendations were given consideration equal to those employed elsewhere in energy production. The government should not accept these recommendations as they stand.

Harold W D Hughes,
UK Offshore
Operators Association,
3 Hans Crescent,
London SW1X 0LN

From Mr David Porter.

Sir, The select committee has made a brave effort to find ways of keeping miners at work when the demand for coal is falling. But when it recommends further protection for coal, it seems prepared to hurt other legitimate commercial interests.

Generators which produce electricity cleanly, efficiently and at a true commercial price might expect to be competitive in the new electricity industry. Instead, if they are not beneficiaries of the new coal deal, they may well be forced out of the market. That is hardly what they expected when the government announced the electricity privatisation in its White Paper of February 1988. It promised that the new industry would be subject to competition and "protected from fluctuating political pressures". I hope that Mr Heseltine will take account of this when he prepares the White Paper of February 1993.

David Porter,
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FINANCIAL TIMES

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Tuesday February 2 1993

India needs faster reform

WHEN Mr Manmohan Singh was appointed India's finance minister during a payments crisis in 1991, he said: "We in this country have to wake up to the harsh realities of this new world." His economic reforms have begun to dismantle isolationist barriers, as well as improving India's creditworthiness and easing the bureaucratic stranglehold on business. But as he prepares his third budget to be delivered on February 27, Mr Singh still faces enormous tasks.

Though the economy is turning upwards and inflation is falling, exports and foreign investment are disappointing. Moreover, the budget will launch a session of parliament likely to be turbulent for the government of Mr P V Narasimha Rao. The prime minister's uncertain handling of the Ayodhya temple dispute has left his government lacking direction. A January cabinet reshuffle carried no message, wasting an opportunity to restore leadership.

Just as financial crisis provided initial justification for economic reform, so the political malaise provides a platform for Mr Singh's budget. He can recreate an identity for the government by decisive action to open the economy further.

Among the steps he should take are sharp cuts in tariffs, including those on capital goods needed to develop infrastructure and export industries; a shift of tax revenues away from customs duties to new sources such as a value added tax; and reform of the financial system, including cuts in subsidised lending, more efficient management of state-owned banks, reorganisation of their balance sheets and injections of new capital.

Mr Singh also needs to prove that he can make the public sector shrink, while giving those who run the administration and state corporations greater flexibility to manage their staff. Recent disturbances may mean the time is not right for full convertibility of the rupee, but this should be achieved as soon as possible.

All these measures are politically charged. But all are necessary if Mr Singh is to proceed with reform.

The international climate remains fair for India. The British business leaders who travelled with Mr John Major last week were given a convincing picture of the opportunities. The settlement of India's dispute with Russia on debt payments improves the prospects for the balance of payments and for export markets. India continues to receive substantial aid commitments.

However, foreigners must question how much reform means when aid commitments for badly-needed infrastructure projects are not utilised because of a lack of Indian counterpart funds. Investment projects cleared by one ministry can be blocked by another. Foreign business people must pay more than Indians for hotel rooms and domestic airline tickets. Even a request for installation of a telephone line in reasonable time must go to the minister for communications.

Mr Singh has the opportunity to erode significantly the mentality which creates such frustrations. As a technocrat rather than a career politician, he can be bolder than his colleagues might be. He could even, as the fruits of reform pass into the economy, prove to be his party's saviour.

Cutting red tape

THE BRITISH like to think of themselves as a pragmatic nation with no time for the formalities which often burden their Continental rivals. Yet there is growing evidence that business in the UK is hobbling through ever more tangled lengths of red tape – not all of it imported from Brussels.

Mr John Major is not the first prime minister to declare war on the problem and he will today meet ministers and senior civil servants to hear their ideas for reducing the burden.

The extent of red tape has been well-documented. A small business owner would need to read 26 booklets running to nearly 270,000 words to understand all the regulations affecting him, one business lobby group has calculated. The 1980 edition of one of the basic textbooks on company law ran to 486 pages in 1980. By 1991 it had expanded to 3,544 pages.

Small businesses in particular have long complained about the cost of administering VAT and the burden of compulsory audit. In recent years regulations have been added in food safety, child care, the environment and transport safety. Every piece of legislation may individually make sense but taken together they add up to a heavy burden.

The government has had a deregulation initiative in place since 1985 but has failed to stem the tide of new regulation. What practical steps can it now take?

First, it should resolve that new legislation will be drafted with a view to supervising the outcome of actions rather than attempting to control the details of the process. Business should be aware that there are effective penalties for actions which lead to financial fraud, food poisoning or accidents.

Within this general principle there are clearly many activities which still need light-touch regulation. Notably, the translation of EC directives into UK law must be monitored to prevent UK civil servants gilding the Brussels lily.

The government has already said it plans to introduce more formal techniques for measuring risks and assessing the cost to business of complying with new laws. These techniques and individual assessments need to be made public. Also, the existing deregulation drive requires a higher profile and greater political momentum.

In the end, any system will only be as good as the officials responsible for applying it. Training should focus on the need to enforce rules efficiently but sensibly. The FT's own research has revealed startling examples of official zeal.

The unseen costs of excessive regulation are considerable in terms of higher prices, the stifling of innovation and ultimately jobs. Removing red tape is an endless task requiring some delicate judgments but it is a challenge which yet again requires a sustained effort from the top.

ICI pays up

STROKING Britain's recession-weary business community is likely to be a central theme in the government's forthcoming budget. But while prime-minister John Major is keen to employ interest rate cuts and tax breaks as evidence that economic growth and an export-led recovery really are at the top of his agenda, British companies continue to resist the message.

Mr Major's heart will have sunk yesterday morning on seeing details of the latest pay package agreed by Imperial Chemical Industries. Manual workers at three ICI plants can expect to receive double-digit pay rises this financial year followed by an extra 4 per cent a year for two more years on top of the annual pay round. The agreement should in time cover all ICI's 20,000 manual workers. Meanwhile, the government, struggling to control the growing fiscal deficit and prevent sterling's recent devaluation from feeding into wage settlements, has imposed a 1½ per cent pay ceiling on public sector pay increases.

Hold on a moment, ICI's management will say. Our pay package does look a little embarrassing for the government, but this comparison with the public sector really is not valid.

This year's pay increase, agreed last June, was only 5.1 per cent, perhaps a little high compared to inflationary expectations but not out of line with average pay settlements at the time. The extra 6 per cent increase this year is in exchange for changes in shift patterns and other radical changes in working practices which will produce an equivalent saving. ICI knows its business and is updating its working practices in order to compete in the global marketplace in the 1990s.

ICI, they will argue, acknowledges that the end of a recession is not the best time to agree a real increase of 10 per cent; but the negotiations began over two years ago when an imminent recovery was confidently expected. Of course ICI would have preferred to achieve the changes without needing to offer this financial incentive to the workforce to co-operate; but the threat of industrial action in a capital-intensive industry is too harrowing to consider, however high the official unemployment rate.

True, this pay package means the productivity gains will be used to increase workers' pay rather than to cut prices and increase exports to close Britain's gaping trade deficit; but the macroeconomy is the government's business. And yes, workers at Rover agreed last year to a radical change in working practices, in order to match Japanese productivity levels, while receiving no specific payments in return; but Rover is a special case. Offering large financial carrots in exchange for productivity increases is standard British practice.

It must cease to be so.

UK banks are rethinking small-business policies, which could lead to more expensive loans, says **John Gapper**

The equation that didn't add up

The UK government's inquiry into whether high-street banks are spoiling the chances of an economic recovery by making loans to small businesses prohibitively expensive did not end as expected. Mr Norman Lamont, the chancellor, started the inquiry amid a wave of public antipathy to banks. But it ended with the conclusion that they have not behaved as badly as many of their customers think.

The inquiry was completed last week with the announcement that banks will allow businesses with turnovers of less than £1m to make complaints to the banking ombudsman, as personal customers already can. In spite of a public belief that banks had not passed on interest rate cuts to small businesses, it found that they had only slightly widened the gap between base rates and loan interest rates.

Yet behind this facade of stability, the banks are engaged in a fundamental rethink of small-business lending, which could lead to far more expensive and restrictive loans. The 1980s lending that led to talk of an "enterprise culture" has gone so wrong that banks are now questioning the nature of the market. Barclays has been writing off bad loans to small businesses at the rate of £1m a day for 18 months.

The problem of small-business lending has big implications for British bank profitability. When banks faced growing competition in the personal and large corporate sectors of their business in the 1980s, small corporate lending appeared the last bastion of easy profits. Building societies were offering rival cheque accounts to personal customers, while big companies with better credit ratings than banks obtained money directly from wholesale markets.

In contrast, there was slim competition in small-business lending. Fewer than 1 per cent of the 2.5m businesses with an annual turnover of less than £1m are estimated to sell debt to obtain working capital, a process known as factoring. And in spite of speculation about competition from foreign banks, Barclays, National Westminster, Lloyds and Midland still provide the bulk of financial services to 84 per cent of the market.

Not only were there few rivals, but there also appeared to be little risk. Banks thought they could charge higher margins than they would get on large corporate lending without much threat of losing their capital. Much lending was secured on properties of business owners, which were rising in price. Businesses that failed presented little risk, while most thrived in the late 1980s boom.

This happy equation has since fallen apart. As businesses have failed and property prices fallen, lending secured on property has become unsecured. Banks have also found that some of the money they theoretically lent as working capital was used to substitute for equity in undercapitalised businesses. They had not followed loans closely enough to discover this.

The result was that money ploughed into the fabric of small businesses – disguised as "hard core" overdrafts – was impossible to get back. Banks now grumble that the return on their loans, which seemed generous at the time, was not enough to cover this sort of risk. "We have been lending much too cheaply, because we have actually provided risk capital," says Mr David Lavarack, Barclays' head of small business.

As banks have reassessed small-business lending, they have been faced with the most worrying fact – they have no reliable way of calculating profitability. In theory, banks should allocate capital by assessing the risk of different forms of business, their profitability over a business cycle, and overheads. By doing so, they will not be over-influenced by profits during economic upswings, or recession losses.

In practice, banks are finding this extremely difficult. Overheads are hard to calculate when different businesses are carried out through branches. And financial data are not good enough to monitor rewards over past cycles. "Banks are about five years behind other large corporations in their financial management," says one clearing bank director.

The finance directors of several banks are now working on producing better profit measures. Meanwhile, banks are trying to increase profitability in two ways.

First, they are trying to reduce risk. They are changing how they assess the risk of loans, and trying to monitor companies once loans are made. Although banks insist that managers have always been taught to look at cash flow rather than loan security, the message is now being reinforced.

"I am a strong advocate of staying in touch. We and our customers benefit from them pulling out financial data," says Mr Lavarack.

High street banks: the cost for small business

Bank lending to small businesses

	Jan 1991 Value of lending (£m)	Jan 1991 Number of accounts	Nov 1992 Value of lending (£m)	Nov 1992 Number of accounts
Base rate related	37,626	966,650	36,061	849,183
Managed rates	1,759	157,626	2,296	159,373
Fixed rate	5,977	416,092	8,312	383,049
Total	44,962	1,540,000	1,370,602	43,508

Average size of borrowing

	Jan 1991 (£)	Nov 1992 (£)
Base rate related	37,900	38,400
Managed rates	11,406	14,000
Fixed rates	14,980	17,409

Proportion of lending in margin bands

Margin over base rate	Turnover <£1m Jan 1991 (%)	Turnover <£1m Nov 1992 (%)	Turnover £1m-£10m Jan 1991 (%)	Turnover £1m-£10m Nov 1992 (%)
0-2%	[illegible]	26	55	35
2-4%	59	61	40	61
4-6%	16	15	5	3
6-8%	4	3	[illegible]	1
>8%	[illegible]	[illegible]	[illegible]	[illegible]

Source: Bank of England

National Westminster has devised training courses for its managers so they can assess the competence of small-business owners more strictly. "Often everything is resting on a single man's shoulders," says Ms Jane Bradford, NatWest's head of small business.

Second, they have raised charges on services, such as cheque-clearing, and re-examined loan margins. It is this process, carried out over the past 18 months, which led to the Treasury inquiry. Mr Terry Smith, a banking analyst at Collins Stewart, says banks are testing the market without a sense of what price it will bear. "They do not actually know the level of demand," he says.

Banks have traditionally tried to raise charges and loan margins as surreptitiously as possible. But this has become harder because of increased public scrutiny, which has forced the banks to publish charters for small-business customers, and to start notifying them of charges before they are levied.

They have nonetheless been fairly effective in managing to hide from public view the size of their increases in charges. Barclays and National Westminster have disclosed that their average margin on small-business loans has risen from 2.9 percentage points above base rate to about 3.5 points over 18 months. But the level of fees and charges associated with these loans has been rising much faster.

Mr Smith estimates that NatWest's commission income rose by 27.9 per cent and Barclays' rose by 18.2 per cent in 1991, while the overall value of transactions in the banks' clearing system fell by 0.9 per cent. He argues that small businesses probably bore a disproportionate amount of this rise, because there was stiffer competition among banks for personal customers.

There are still few alternatives to banks for smaller businesses. Even if they can seek loan finance elsewhere, most small businesses rely on banks' clearing services. While most personal customers get free banking if in credit, business fees are rising.

"There is not a lot of choice out there, and most people are with one bank or another," says Mr Stan Mendham, founder of the Forum of Private Business. Banks have made moves to offer equity finance to small companies through venture capital. But they have little appetite for taking equity stakes in a lot of small businesses.

Some bankers now talk of the government having to provide tax breaks if they are to lend again to poorly capitalised businesses. But Mr Mendham argues that neither small businesses nor banks can abandon each other in a time of adversity. "I think most businesses would prefer the devil they know, as long as the relationship improves," he says.

The fuss over charges may indeed fail to break up the old relationship between banks and small businesses. If the banks get bigger returns, and small businesses can complain to the banking ombudsman, both sides may gain enough from the latest inquiry to satisfy them. But the severity of losses sustained by the banks could lead to a break with the past.

This depends on banks' new methods of assessing loan risks. For the first time, the assumption that small-business lending is an easy source of profits is being questioned. For now, banks will struggle along. But it is not certain that their old bonds with small companies will ever wholly recover from the wounds of recession.

Productivity leads America's recovery

PERSONAL VIEW

There is a quiet transformation now shaping the basic fabric of the US economy. The evidence: an impressive turnaround in productivity, the magic elixir that hold the key to any nation's standard of living. Over the past year and a half, business productivity has risen at a 2.5 per cent rate – about double the rate that would have been expected in this anaemic recovery and all the more encouraging when compared with average increases of only 0.2 per cent from 1987 to 1991.

Productivity improvements in the US stem from the most powerful economic force of all – global competition. Record trade deficits forced manufacturing companies to slash costs with a vengeance. Now the pendulum of global competition has swung into the service sector, with deregulation and globalisation prompting a new wave of restructuring – hitting banks, airlines, telecommunications, retailers, insurance, advertising, accounting, and the legal profession.

The dark side to this outcome has not been lost on America's once sacrosanct white-collar workers. White-collar hiring in services has screeched to a standstill – rising only 0.2 per cent in 1991, easily the weakest performance in more than 20 years. And with private service industries accounting for literally three out of every four workers currently employed in the US, the outcome has been a dramatic compression in overall job creation.

What is critical to appreciate, however, is that today's pain could well be laying the foundation for lasting gain. Many positive benefits are already apparent. Reflecting intense cost cutting, business unit labour costs are now up only 0.5 per cent over the past year, a very hopeful sign for the inflation prognosis.

Indeed, disinflation is the silver lining of a productivity-led recovery, broadening the purchasing power of beleaguered consumers, and auguring well for further reductions in longer-term interest rates. Needless to say, tha beneficial impacts of such a productivity-led recovery may be difficult to appreciate in today's tough economic climate. That is because the US economy is still in the first stage of a productivity revival. The victims of restructuring are fearful of permanent job loss. And survivors are hurting as well – less secure about their job prospects and working longer and harder than ever before.

Of course, productivity gains cannot be sustained just by adhering to the slash-and-burn strategies of intensified cost cutting. Such an outcome would lead to a "hollowing" of corporate America at precisely the time when rebuilding is essential to maintain global market share in an ever-expanding global economy. Thus, the second phase of a productivity-led recovery requires companies to look beyond restructuring – embarking on a bold course of enhanced capital formation and providing workers with the latest in technologically sophisticated tools needed for improved efficiency solutions.

There is also a third phase, entailing long-overdue upgrading of the quality of human capital – giving workers a new set of intellectual tools, so they can work smarter, continually pushing out the envelope of discovery and innovation.

A key goal in the 1990s should be to craft economic policies that provide further impetus to this nascent productivity-led recovery. Incentives for capital formation are critical, and in this regard President Clinton is to be commended for his support of an investment tax credit, defence conversion, and a permanent R&D tax credit. Moreover, Clintonomics has much to say about an upgrading of human capital, stressing tha combination of educational reform, apprentice programmes, and worker re-training.

While these prescriptions seem to match the imperatives of productivity enhancement, the benefits could be lost if the new president tilts away from trade liberalisation to shelter US industry from global competition. Equally disconcerting would be a lack of fiscal discipline – a possibility if the Clinton administration does not adopt a credible programme of deficit reduction.

Policy must also be sensitive to the dark side of a productivity-led recovery. America is now suffering from a profound loss of traditional sources of job creation. In response, new sources of hiring must be stimulated – not by relying on make-work pork barrel projects but through the birth of new companies. Entrepreneurs and other risk-takers will need incentives to fill the looming employment gap of the 1990s. Elimination of capital gains taxes for patient investors in business start-ups – together with an employment tax credit – would go a long way in satisfying this aim. Such targeted incentives are the most affordable of all: no tax break without a job creating start-up.

Most of all, America's new leaders must now come to appreciate that the door is open. If the US is to earn its fair share in an increasingly competitive global market place, it must stay the course of a productivity-led recovery.

Ultimately, that's what gives workers the fairest shake of all, getting paid a just reward for their innovative endeavours.

Stephen Roach

The author is co-director of global economics, Morgan Stanley & Co

OBSERVER

Putting heads together

■ One of the more fascinating sub-plots in the hunt for the next boss of IBM is that it has thrown together the world's two top headhunters – Tom Neff and Gerry Roche. If it were any other company than IBM, it would be hard to imagine two of the world's most competitive headhunters being asked to bury their differences and share their contact books.

It is highly unusual for a firm to advertise its use of headhunters and even more unusual to hire two. However, IBM has announced that it has retained Heidrick & Struggles and Spencer Stuart, two of the top four US-based headhunters. The advantage of having two firms is that it proves to investors that everything is being done to find the right man.

It also overcomes the problem of headhunters who are barred from poaching executives of firms they have recently worked for because of self-imposed off-limits rules. Even headhunters have ethics, it seems. If IBM is going to find a *wunderkind*, then these two should be able to do it.

The downside is that they are fiercely competitive. Heidrick & Struggles' Roche is the acknowledged king of the headhunters. He was the man who found Apple's John Sculley, for example. However, Spencer Stuart's Neff is said to be coming up fast and has his eye on Roche's crown.

Jim Kennedy, editor of Executive Recruiter News, describes him as "the young bull challenger to the old smoothie Roche".

Well read

■ Denmark's new Social Democratic prime minister, Poul Nyrup Rasmussen, is taking no chances. Mindful of the fate of his predecessor, Poul Schlüter, who resigned last month after having been caught out being a little too economical with the truth, Rasmussen has apparently decided that his civil servants should not be allowed to drop him in it.

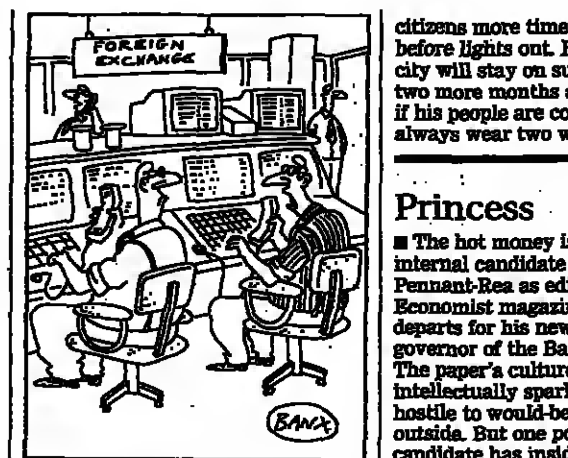
To whit he has ordered 30 copies of the Yes, Minister, and Yes, Prime Minister books from the English Bookshop in Copenhagen. It can be safely assumed that Sir Humphrey and Machiavelli will continue to rule during what Rasmussen claims will be his "decade of decency".

Beach bums

■ A small rebellion has broken out in Rio de Janeiro. The fun-loving capital of Brazil has refused to keep in time with the rest of the country and put its clocks back.

Rio's decision to stay on summertime caused chaos in the city yesterday, particularly as the digital clocks placed along the beach are owned by the central government and were showing the new time. Radio commentators did not know what time to give, resorting to "it's 10 minutes past the hour". Meanwhile, airlines flying in and out of Rio had no idea whether aircraft were running on Rio time or Brazil time.

Paulino Cicero, Brazil's minister of mines and energy, calls it an act of "insurrection", and says it's a bitter blow for a country which has always prided itself on its unity. But Cesar Maia, Rio's new mayor, is unrepentant. He says it's all part of his new campaign: "Up with Sun, Down with Bureaucrats." He wanted to give his sun-worshipping citizens more time on the beach before lights out. He insists his city will stay on summertime for two more months and says that if his people are confused they can always wear two watches.



'I've been away – what's the currency of the month?'

Princess

■ The hot money is still on an internal candidate to replace Rupert Pennant-Rea as editor of The Economist magazine when he departs for his new job as deputy governor of the Bank of England. The paper's culture, though intellectually sparky, tends to be hostile to would-be editors from outside. But one possible outside candidate has insider qualifications.

Sarah Hogg, head of the Number 10 policy unit, is a former economics editor of The Economist. She also proposed Pennant-Rea for his new post at a late stage in the Whitehall job search.

What could be neater, now that it's all hard grind in Downing Street, to plop back into one of British journalism's more attractive seats, having emptied it in the first place. Now there's a Machiavellian thought.

Key to spying

■ Controversy always surrounds America's number one spy. So when Jim Woolsey appears before the US Senate today for confirmation hearings on his suitability as the next head of the CIA, he can expect a third-degree interrogation.

Liberals will want to know whether he is a cold war warrior in disguise while the conservatives will want to be reassured that he is hawkish enough for their tastes. Like his new commander-in-chief, the 51-year-old Woolsey started in the sticks – Oklahoma – before climbing that well known path to power: Stanford, opposition to the war in Vietnam, a Rhodes scholarship to Oxford and Yale Law School.

But Jim Woolsey is not as buttoned-down as he seems. Just as his president seeks relief with the saxophone, Woolsey is a fiendish ballroom dancer, a one-time instructor at the Arthur Murray school. He is also a deep devotee of baseball, and not above drawing lessons from the game that are applicable to intelligence-gathering.

One thing he will have to come to grips with, however, is a change in life-style. After a particularly good party a few weeks ago, Woolsey received a late night call from the CIA. Would the director-designate please close his front door and, while he was at it, kindly stop leaving the key under the mat.

Composed

■ What do astrologers have on their birthdays?

Prescience.

مكتبة الأصل

FINANCIAL TIMES
Tuesday February 2 1993

UN peace authority sees no security justification for attacks

Cambodians hit Khmer forces

By Victor Mallet in Phnom Penh

CAMBODIAN government forces have launched an offensive against Khmer Rouge guerrillas on several fronts in the worst fighting since the United Nations peacekeeping mission was established a year ago.

The UN Transitional Authority in Cambodia (Untac) yesterday announced a catalogue of ceasefire violations since Friday in five of the 11 military sectors into which the UN has divided the country, including artillery and mortar fire exchanges.

Although the ceasefire has been in tatters for months, and there were no immediate reports of heavy casualties, the offensive will further damage Untac's credibility as it attempts to prepare for elections in May.

Untac officials said villagers in some areas had fled their homes and government troops had conscripted civilians and former refugees recently repatriated from Thailand. Some were reportedly being used as forced labour to carry ammunition.

The Khmer Rouge almost from the start refused to co-operate with Untac, take part in elections or abide by peace agreements it signed in 1991, forcing the UN to acknowledge that the administration of Mr Hun Sen, the prime minister, had the right to defend itself.

Yesterday, however, Untac said the latest government offensive could not be justified by concerns about security.

Officials of Cambodia's Vietnamese-installed government, many of them corrupt and unpopular, are worried about their likely performance in the elections and are probably mounting the offensive in an attempt to strengthen their grip on the countryside. This would give them a stronger hand in any negotiations to form a coalition.

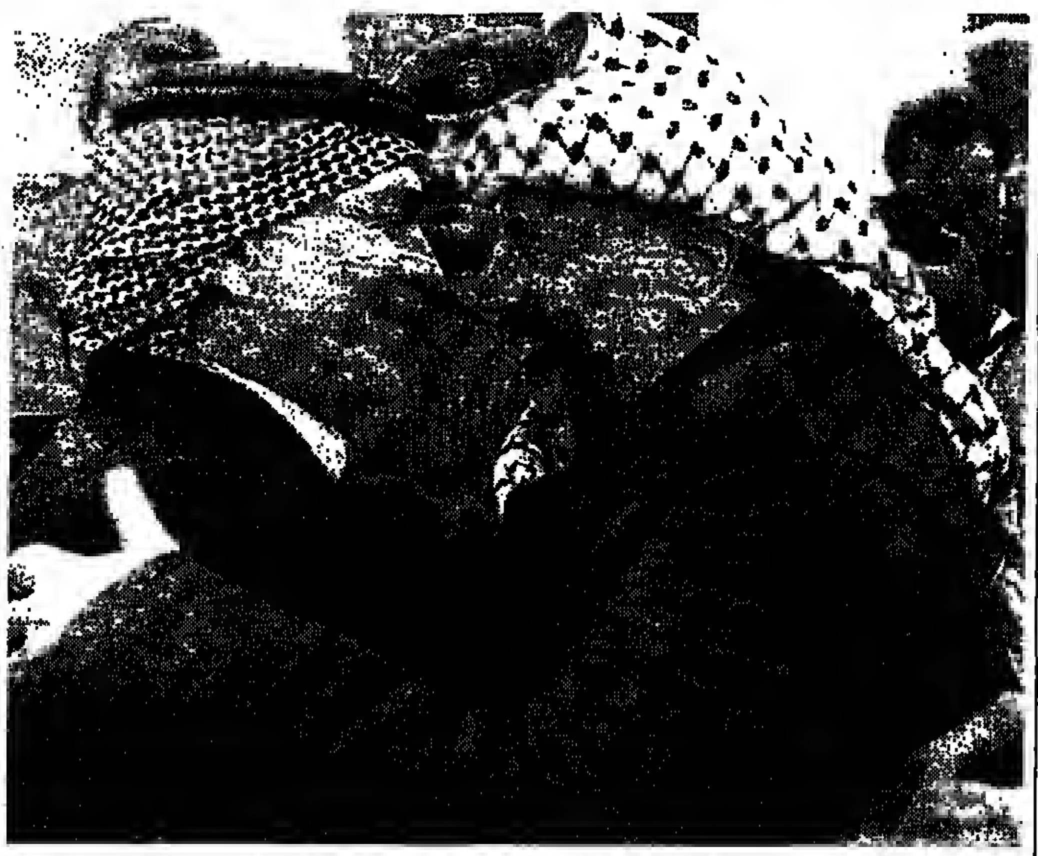
Khmer Rouge leaders are boycotting the polls, but are banking on being included in a future administration by Cambodian politicians who will want to avoid the permanent partitioning of the country into Khmer and government zones.

Among other attacks, government forces in the west have advanced to within 20km of Pailin, the Khmer headquarters near the border with Thailand.

Further incidents were reported in the north and north-east of Cambodia. Troops of Funcinpec, the royalist party, were involved in at least one clash, but most of the fighting was between the government and the Khmer Rouge.

The Khmer Rouge was blamed for the deaths of 1m Cambodians during its reign of terror between 1975 and 1978, when Vietnam invaded and installed a pro-Vietnamese communist government.

UN military observers and electoral workers have often been impressed with the commitment and discipline of the Khmer Rouge troops, and Untac officials have therefore been surprised by the success of recent government offensives. But there have been signs of differences within Khmer Rouge ranks. Some Khmer guerrillas have registered to vote. According to a senior Untac officer, at least one Khmer Rouge commander refused to join in a battle for the defence of Pailin a few weeks ago.



Warm welcome: PLO chairman Yassir Arafat (right) embraces Jordan's King Hussein in Amman yesterday. After their hour-long meeting discussing Middle East peace talks and the plight of 400 Palestinians expelled by Israel, Arafat left by road for the Iraqi capital Baghdad to meet president Saddam Hussein. The 48-hour visit is Arafat's first trip to the Iraqi capital since January 1992

EC rejects US 'bullying' on award of utility contracts

By Our Foreign Staff

THE European Community's top trade official, Sir Leon Brittan, yesterday coodemned as "unilateral hullying" Washington's threat to freeze out EC companies when awarding US federal contracts.

His comments followed a statement earlier in the day from Mr Micky Kantor, the US trade representative, that the federal government would stop buying goods and services from some or all European Community nations if the EC did not end discrimination against US goods io public procurement contracts by March 22.

"This is the second aggressive trade measure in the first two weeks of the new [Clinton] administration," the executive EC Commission said in a statement, referring to dumping duties of up to 109 per cent provisionally levied last week on US steel imports from seven EC states and 12 other countries.

"I cannot believe it is in anybody's interest, European or American, to attempt to deal with trade issues io this way. We do not accept this form of unilateral hullying," he said, adding nevertheless that it was still too early to paint the administratioo as protectionist.

Sir Leoo urged the US to show restraint, and said he would be discussing the crisis witb Mr Kantor in Washington during his first formal meeting with his US couoterpart on February 11.

The US action on public procurement follows an almost year-long effort to reverse an EC "utilities directive", whicb came into force on January 1 and gives EC companies preference in bidding for public utility contracts in sectors like telecommunications, power generation and transport.

Sir Leon said Washingtoo had oot accepted an EC proposal which would have frozen the dispute until a global solution was found. The US had yet to respond to a broader EC documeot aimed at solving all outstanding issues, he added.

The US complains that the EC directive discriminates against purchases with more than 50 per cent foreign content by requiring Community utilities to apply a 3 per cent price prefereoce to "European" hids and giving utilities the option of rejecting oon-European hids. Countering US complaints, Sir Leon said Washingtoo had protectionist policies of its own. He listed the Buy American Act, the procurement policies of state governments in the US and access to US utilities markets.

Timetable for Emu

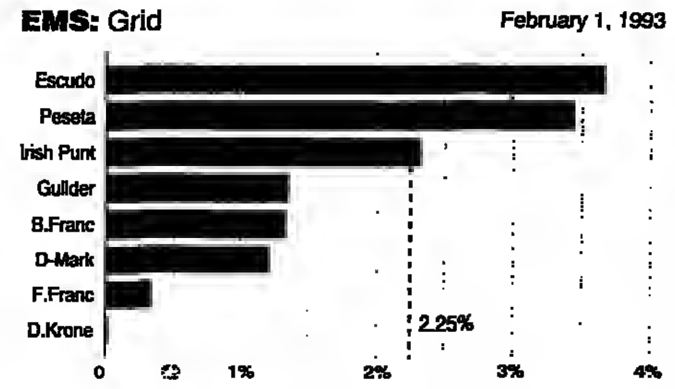
Cootinued from Page 1

ical issue of whether the Maastricht treaty will be ratified [by all 12 EC countries] or oot. This is taking far too much time – time we do not bave."

Commentiog oo the devaloatioo of the puot, he said realignmeots in the European Monetary System should be made less dramatic, so they were no longer "the eod of the world".

He added: "This would help get the EMS off the ground again, and avoid turning it into an ever more political process, where beads nf state and governmeot annouoce what is happening."

On Germany's economic problems, he said the couotry was in recession but was not eotering a "cumulative dowoturn". Sioce Germany was likely to run a current account deficit for "aome years", monetary policy had to remain cantious.



Amato puts coalition's fate ahead of Craxi's problems

By Robert Graham in Rome

MR GIULIANO Amato, the Italian prime minister, has distanced himself from the mounting difficulties of Mr Bettino Craxi, the embattled Socialist leader, in an attempt to preserve the stability of his four-party coalition government.

This comes at a time when the coalition risks being undermined by a bitter battle between Mr Craxi – the prime minister's notional party superior and former close colleague – and the Italian judiciary. The government also faces a vote of no confidence on Thursday, proposed by the former communist Party of the Democratic Left.

Mr Craxi has received three separate advisory notes from Milan magistrates that he is under investigation for alleged corruption and illegal party financing. Parliament must now consider whether to waive his parliamentary immunity.

The Socialist leader has rejected any suggestion of wrongdoing and has gone on the offensive, claiming the magistrates want to undermine Italian democracy. He claims they have overstepped their authority in the 11-month-old Milan corruption scandal and are conducting a campaign of denigration of himself and his party.

Behind the scenes, Mr Craxi is also reported to have threatened to withdraw the Socialists from the governmeot coalitinn. This threat, conpled with the growing tension within the Socialist party over the fate of Mr Craxi, has nbliged Mr Amato to place the plight of his government above that of his party.

President Oscar Luigi Scalfaro has played an important part in encouraging the prime minister to take this position. On Sunday Mr Scalfaro summoned Mr Amato to the presidential palace. The extent of Mr Scalfaro's influence in keeping the cnalitinn alive was also underlined by the former president, Mr Francesco Cossiga, who observed yesterday there was a return to a strong presidency.

Mr Amato's stance towards Mr Craxi has been adopted by Mr Clandio Martelli, the justice minister and poteotial candidate for the Socialist leadership, and Mr Carin Ripa di Meana, the environmeot minister.

All three declined to attend a special party meeting convened yesterday to consider Mr Craxi's position.

The need to pot the party'a problems at arm's length from the governmeot has also been emphasised by davelopments in what are now natioowide investigations into corruption being condncted by magistrates. The number of people arrested in 11 mooths by the Milan magistrates alone rose yesterday to 110. The largest number come from the Socialist party.

The latest arrests ioclnde senior figures in the energy busioess linked to Enel, the national electricity aothority.

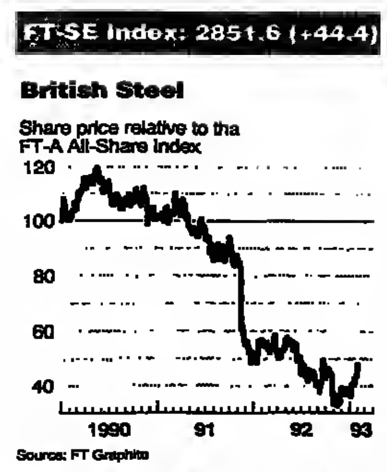
THE LEX COLUMN

Paper tigers

It does not say much for the government's credibility that investors apparently prefer to believe the Sunday press on interest rates than official word from Downing Street. Strenuous denials from Number 10 could do nothing to dissuade the equity market from the view that rates are heading lower. Thanks to further slippage in the pound, overseas earners led the equity market higher. But handsome gains in interest rate and inflation-sensitive sectors – such as banks and property – confirm a strong belief in easier money. Only a poor performance from Glaxo and Wellcome prevented the FT-SE 100 from testing its all-time high.

Whether investors are right to view the government's credibility gap with such equanimity is another matter. A lower exchange rate is doubtless part of the government's scheme to help fund the public sector borrowing requirement and promote an export-led recovery. But that is no easy outcome to orchestrate. Sterling's fall could get out of hand, especially when policy is in the hands of a government blown this way and that by short-term policy considerations.

Foreign currency borrowing would at least signal intent to intervene if necessary. That might help control the exchange rate as well as fund the PSBR. Lower German interest rates and a weakening D-Mark might eventually help avert a sterling crisis. But without a clear framework for monetary policy – let alone an explicit exchange rate target – the government might still have to tighten before it or the equity market would like.



British Steel

Paradoxically, given the row about US duties, things may be looking up for British Steel. This is only partly because the company has limited sales in the US. The row appears to be concentrating minds in Europe about cutting capacity. British Steel would benefit because its efficiency advantages would come into play in a more evenly balanced market. With sterling weak, it stands a better chance than its German competitors of making last month's price rises stick. Unsurprisingly, its shares are in demand, especially among US investors attracted by possible currency gain. Yesterday they rose a further 5 per cent.

The bull case, though, is flawed. Detailed debate on European cutbacks has yet to start. It would be rash to assume the UK will escape additional burden just because British Steel has already closed Ravenscraig. Other European countries may demand further sacrifices, especially given British Steel's exchange rate advantage. Besides, the economic downturn in Europe hardly bodes well for demand. Cheap imports from eastern Europe continue to depress prices.

British Steel is unlikely to revisit its earnings peak of 28.2p in the year to March 1990, not least because it no longer has net cash in its balance sheet. Investors cannot expect 8.75p dividends again. Last year's reduced dividend of 4.5p might be sustainable in the medium term. On a presumed yield of 6 per cent, shares would have a cruising altitude of around 100p against 77p last night. Patience will be required. British Steel would need profits of above £200m to cover such a dividend twice. Even if all goes well in Europe, the company may not be back in profit for another couple of years.

Iceland

There are different ways of peeling the same banana in the food retailing sector, as Iceland's perky trading record illustrates. By sticking to limited-range high street stores, Iceland has long defied conventional wisdom. Its latest decision to open 48 outlets within Littlewoods' stores typifies its lateral thinking.

By opening an additional 60 stand-alone stores, Iceland will increase its total trading space by about 20 per cent this year. That represents one of the fastest growth rates in the sector, as the market has been quick to appreciate. But with speed comes uncertainty. Opening so many new outlets imposes great demands on the management's adaptability. Making the Littlewoods' space sweat may also prove trickier than expected. A dedicated food retailer should certainly squeeze better returns than Littlewoods did. Nevertheless, it seems odd to create a combination resembling a poor shopper's Marks and Spencer when the wisdom of such joint trading formats is coming under scrutiny.

Iceland's share placing is also puzzling. Its progress in reducing gearing to 41 per cent suggests it could easily have coped with the £20m cost of fitting fridges at its Littlewoods sites. Iceland is clearly giving itself leeway to buy further parcels of stores – with the shrinking Gateway being the most obvious seller. But it will have to tread carefully.

ICI

ICI is getting into the habit of pulling off tidy deals. Yesterday's tie-up gives its Tioxide subsidiary a share in existing production capacity in North America and access to valuable technology which can be deployed elsewhere. Competitors in the overcrowded titanium dioxide market may also be pleased, since ICI shelved plans to build its own plant in Canada. That underlines the dilemma for ICI chemicals after the demerger of the pharmaceuticals side. Maintaining a presence is expensive: a $200m cash outlay in this instance. But thanks in part to over-capacity, Tioxide's operating margins are probably less than half the 30 per cent achieved in 1989. Unlike pharmaceuticals, ICI chemicals will not enjoy a fancy rating. Funding its ambitions with paper will be far from easy.

Unilever

Much time and thought went into Unilever's head office review as the Anglo-Dutch giant continued to wage war on bureaucracy. But it is perhaps surprising that the outcome was not more radical.

Unilever has devolved greater management responsibility to the operating level. But it has preserved the cumbersome division and duplication of functions between London and Rotterdam. Reasons of tax and history make this a particularly knotty problem. But the incoming co-chairman, Mr Michael Perry, had a fine opportunity to remould Unilever in a far more inventive spirit. It is a pity he did not take it.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
				Boulogne	C	1	34	Frankfurt	S	0	32	Majorca	C	14	57	Oporto	S	14	57	Tenerife	F	18	64
				Brussels	C	-1	30	Geneva	F	5	41	Malaga	F	13	55	Oslo	S	5	41	Tokyo	S	8	46
				Budapest	S	-2	28	Gibraltar	F	12	54	Malta	C	13	55	Paris	C	4	39	Toronto †	S	-18	0
Ajaccio	S	15	59	Buenos Aires	R	27	80	Glasgow	C	-1	30	Manila	C	31	88	Prague	S	-10	14	Tunis	F	16	61
Algiers	S	19	66	Cairo	C	13	55	Helsinki	S	3	37	Melbourne	F	35	95	Reykjavik	R	4	39	Valencia	F	14	57
Amsterdam	S	0	32	Cape Town	S	27	81	Hong Kong	S	20	68	Mexico City	F	23	74	Rhodes	S	7	45	Venice	S	8	46
Athens	F	8	46	Caracas	F	26	79	Innsbruck	S	2	36	Miami †	S	14	57	Rio d'Janeiro	F	38	100	Vienna	S	-7	19
Bahrain	C	19	66	Casablanca †	F	15	59	Inverness	S	6	43	Milan	S	6	43	Rome	S	10	50	Warsaw	C	0	32
Bangkok	F	30	86	Chicago †	S	-2	28	Islamabad	C	19	66	Montreal †	Sn	-20	-4	Salzburg	S	-3	27	Washington †	R	4	39
Barcelona	F	12	54	Cologne	S	2	36	Istanbul	F	2	36	Moscow	C	-1	30	S'Francisco †	S	6	43	Zurich	C	3	37
Beijing	S	5	41	Copenhagen	Fg	-1	30	Jakarta	R	29	84	Munich	F	2	36	Seoul	S	2	36				
Beirut	R	7	45	Corfu	S	10	50	Johannesburg	F	27	81	Nairobi		-	-	Singapore	F	30	86				
Belfast	S	7	46	Dallas †	S	4	39	Lisbon	S	12	54	Naples	S	12	54	Stockholm	S	5	41				
Belgrade	S	-4	25	Dublin	C	7	45	London	S	6	43	Nassau	F	25	77	Strasbourg	C	1	34				
Berlin	C	-1	30	Dubrovnik	S	12	54	Los Angeles †	S	9	48	New Delhi	S	20	68	Sydney	S	31	88				
Biarritz	S	12	54	Edinburgh	F	3	37	Luxembourg	C	-3	27	New York †	F	1	34	Taipei	C	18	64				
Bombay	S	32	90	Faro	F	14	57	Madeira	F	14	57	Nice	S	15	59	Tangier	F	7	45				
Bordeaux	S	12	54	Florence	S	13	55	Madrid	S	12	54	Nicosia	C	9	48	Tel Aviv	R	8	46				

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday February 2 1993

INSIDE

Italian steel gets Japanese touch

Mr Hayao Nakamura has spent more than 30 years working in Italy, mostly with Nippon Steel, speaks good Italian, and has just accepted a remarkable challenge: to take over as chief executive of Ilva, Italy's ailing state-run steel group. Italy has been highly protective about letting in Japanese industrial competition, and Mr Nakamura is the first Japanese to be recruited into such a senior post in a state-run European industry. Page 19

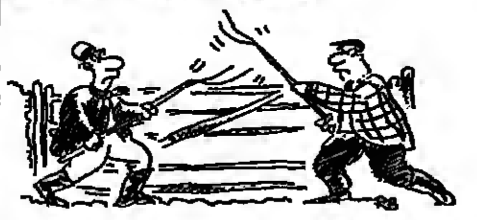
Swiss maverick flexes muscles

Mr Martin Ebner's eight-year-old securities house, BZ Bank, has just revealed 1992 net profits of SFr59.5m ($40m), more than double 1991's SFr25.1m. That makes it Switzerland's fourth-largest bank in terms of profits, and the result shows that maverick BZ was not just a meteoric product of the frenzied late 1980s. Page 18

CP sees return to profit this year

Canadian Pacific, the transport, resources and property group forced to restructure by the North American recession, staged a turnaround in the final quarter of 1992 and expects to strike profit in 1993. Operations at rail, road and marine transport remained depressed, but PanCanadian Petroleum oil and gas subsidiary doubled its contribution. Page 20

Shadow over the east



The shadow of Communist neglect still hangs over the countryside in eastern Germany – where economic restructuring is slowed by overstaffed farms and land ownership disputes. The Berlin-based Treuhand, responsible for rural reform, is having to administer hundreds of farms, many of which are insolvent. Page 24

Iceland comes in from cold

Shares in Iceland Frozen Foods jumped 21p to 668p as the food retailer announced a £27.5m placing to fund its move into Littlewoods outlets and forecast a 19 per cent rise in annual profits. Mr Malcolm Walker, chairman, said the move reinforced Iceland's recent transformation from freezer centre to high street retailer. The deal is expected to add £100m to annual sales. Page 22

Equities move on speculation

Japan was the powerhouse of an equity world dominated by currency and fiscal speculation last week. With the US putting in a modest performance and Europe indecisive, Tokyo gained 3.6 per cent on mounting expectations of an imminent cut in discount rate. The UK celebrated its base rate cut, but disappointing company results and continued earnings downgrades depressed sentiment in France and Germany. Back Page

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Beiersdorf	865	+	14
Leifheit	401	+	16
Philips Kommun	526	+	18
Rheinelektra	847	+	16
Falls			
Goldschmidt	740	–	20
Lahmeyer	825	–	17

NEW YORK ($)

Rises			
Am Express	24½	+	1⅜
Apple	60¾	+	1¼
Lilly	24¾	+	1¼
Microsoft	67¼	+	¾
Philip Morris	75⅝	+	⅞
RJR Nabisco	8¾	+	½

PARIS (FFr)

Rises			
Bancaire Cie	440	+	12.9
Bouygues	595	+	13
Intertechnique	410	+	25
Paribas	379.8	+	16.6
Promodes	604	+	14
Falls			
Cogif	300	–	20.1

New York prices at 12.30.

TOKYO (Yen)

Rises			
Carolina	250	+	32
Chuo Denki	430	+	40
Gajoen Kanko	226	+	44
Uchida Oil	311	+	30
Falls			
Fukui Bank	471	–	40
Nomura	1000	–	70

LONDON (Pence)

Rises			
Alexon	74	+	9
Billam (J)	174	+	8
Brit Aerospace	274	+	21
Brit Steel	77	+	3½
City Site Ests	21	+	4
Ferranti	12¾	+	1½
GWR	380	+	35
Haynes Publng	288	+	15
Iceland Frozen	668	+	21
Kewill Systems	83	+	11
Ladbroke	209	+	12
Lep Group	11¾	+	2½
Lister	25	+	4
Porvair	206	+	13
Resort Hotels	49xd	+	6
Rolls-Royce	133	+	6½
Tadpole Tech	282	+	16
Tay Homes	161	+	11
Falls			
Brandon Hire	28	–	4
CRT	88	–	12
Haden MacLelln	39	–	3½
London Intl	249	–	22
Ramco Oil	77	–	5
Wellcome	875	–	25

Cost of computer networks forces European and US competitors to pool resources

Biggest airline reservation systems merge

By Paul Betts, Aerospace Correspondent

THE merger of two of the world's biggest airline computer reservation systems was finalised yesterday, creating e new company called Galileo International.

Computer reservation systems have increasingly become a key weapon in the competitive arsenal of international airlines. But the huge cost of setting up and operating these systems has forced airlines to try to pool resources.

Galileo International will combine the European Galileo network with the US Covia Apollo reservation system. Shareholders in the new company will include British Airways, United Airlines, USAir, KLM Royal Dutch Airlines, Swissair, Alitalia, Aer Lingus, Air Canada, Olympic Airways, TAP Air Portugal and Austrian Airlines.

The new company, which claims to be the first global computer reservation system group, will be 50 per cent owned by European carriers and 50 per cent owned by US airlines. It will be based in Chicago with offices in Swindon, England, and Denver, Colorado.

Its main competitor is the Sabre network owned by American Airlines, which attempted but failed two years ago to merge with another European computer reservation system, called Amadeus.

However, the Galileo-Apollo merger still has to be approved by US and European Commission regulators.

On both sides of the Atlantic, regulators are considering introducing new rules for reservation systems to prevent distortions in airline competition by the use of these powerful networks.

Mr Giovanni Bisignani, chief executive of Alitalia, has been chosen as chairman of the new merged company, which claims a 30 per cent share of the world airline reservation market.

He said yesterday that the new company was "a combination of two recognised computer reservation market leaders with e long success story of co-operation".

The merger will also consolidate the two groups' data processing operations in one centre near Denver, Colorado.

The work of the Galileo data centre in Swindon, which employs about 800 people, will be absorbed by the Denver facility in the next 12 months, e process that will entail some job losses at Swindon.

■ Around $39bn of foreign currency borrowings affected ■ Rating cut from Aa1 to Aa2

Sweden long-term debt downgraded by Moody's

By Antonia Sharpe in London and Christopher Brown-Humes in Stockholm

SWEDEN, the heaviest borrower in the international capital markets in the past three months, had its long-term debt rating cut yesterday.

The downgrading to Aa2 from Aa1, by Moody's Investors Service, the US credit rating agency, comes at a difficult time for Sweden, which needs to raise substantial further amounts internationally to finance its large budget deficit.

The cut comes just days after Sweden launched the biggest-ever foreign bond issue in the Japanese domestic bond, or "Samurai", market. The Y200bn ($1.7bn) issue ran into difficulty because of the aggressive pricing et e time when the country's credit rating was already under review for possible downgrade.

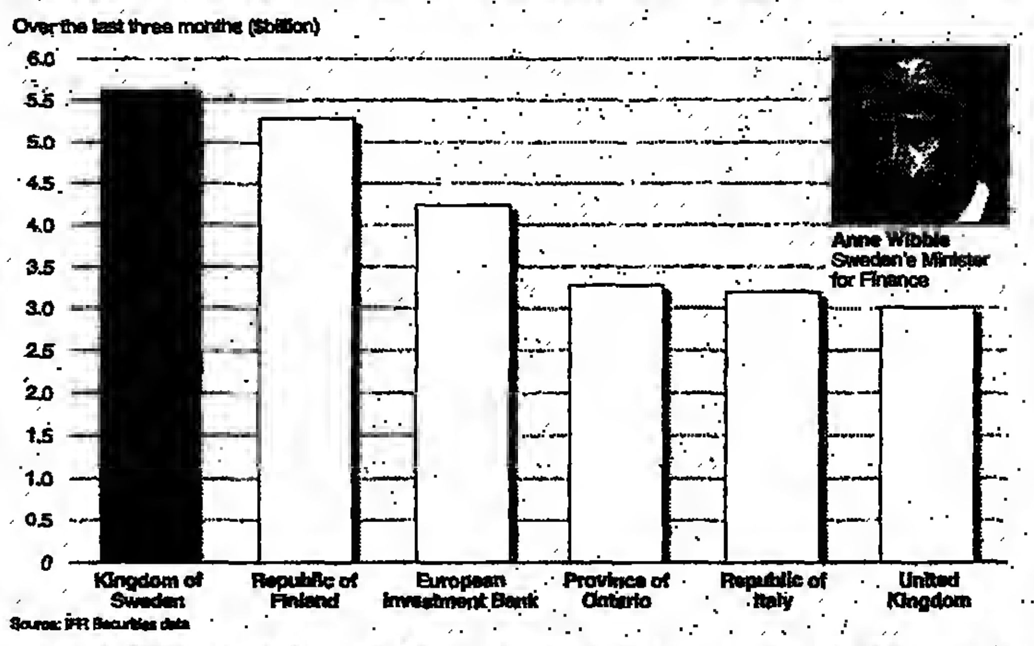
Moody's, which has had the country's rating under review since last October, pointed to Sweden's weak economy, sizeable deterioration of public sector finances and high level of unemployment.

"These imbalances can only be corrected gradually, and may delay a needed recuperation of investment," Moody's said. "This, in turn, may hurt the country's long-term competitiveness and creditworthiness."

About $39bn worth of outstanding foreign currency debt is affected. Dealers said there was little impact on the price of the bonds because a reduction of two notches in the country's rating had been rumoured.

The move leaves Sweden in the unusual position of having conflicting ratings from the biggest credit rating agencies. Standard & Poor's, the other big US agency, said it had no plans to downgrade Sweden from its current AAA.

Biggest borrowers in the international bond markets



Ms Anne Wibble, the Swedish finance minister, said she was not surprised by the downgrade, as Sweden was already on the observation list.

However, she added that the decision underlined the serious Swedish economic situation and the importance of the policy in the finance bill implying structural reforms and measures needed to increase growth.

Mr Staffan Crona, director-general of the Swedish National Debt Office, said: "This move was to a certain extent expected by the market and I am not very perturbed by it."

Sweden has been borrowing heavily in the international capital markets since last year, ever since parliament lifted restrictions on foreign currency borrowing. It has almost completed its SKr230bn ($30.8bn) borrowing package announced last autumn.

Capital Markets, Page 21

Kronos sells 50% stake in titanium plant to ICI

By Paul Abrahams in London

IMPERIAL CHEMICAL Industries' titanium dioxide subsidiary, Tioxide Group, is paying $200m for a 50 per cent stake in a North American joint venture.

The deal, one of ICI's largest single investments in recent years, is with Kronos, a subsidiary of NL Industries of Houston, Texas. The deal gives the British company a half-share of a 100,000 tonne-a-year chloride titanium pigment plant in Lake Charles, Louisiana. The plant was officially opened last October.

Simultaneously, ICI announced it was postponing the construction of a C$175m (US$137m) plant at Becancour, Quebec, with an annual capacity of 60,000 tonnes. By postponing the plant, ICI avoids adding to overcapacity in the North American titanium dioxide market which is pres*ently suffering from low prices, reduced* operating rates and poor profitability.

ICI also announced it was shutting down part of its site at Tracy in Quebec, with the loss of 60 jobs. The partial closure will result in the complete elimination of waste acid pollution from the site, according to the group. Although ICI had a government licence to discharge waste, it had recently run foul of local municipal authorities which were calling for the plant's closure.

The deal offers ICI immediate access to Kronos' proprietary chloride technology for manufacturing titanium dioxide, an area in which the British group has little *experience. Chloride-based products are* used in paints for the top-coats of vehicles and high durability coatings. The alternative technology using sulphate is used for products in inks, fibres and ceramics.

The joint venture, due to be completed during the second quarter of the year, needs to be cleared by the Federal Trade Commission. ICI presently imports titanium dioxide equivalent to less than 10 per cent of the US market.

NL Industries has been suffering from the poor state of the titanium dioxide market. It reported e net loss of $18.8m on sales of $694m during the first nine *months of last year. The titanium dioxide* division's operating income for the first nine months fell 37 per cent compared with the same period in 1991, as it suffered from poor selling prices and the start-up costs of its Lake Charles facility.

ICI said the deal had no implications for UK-based titanium dioxide plants.

Lex, Page 16

Unilever increases staff in Netherlands after review

By Richard Gourlay in London

UNILEVER, the multinational consumer products group, yesterday announced a modest reduction in staff levels et its head office in London following a review of the way the group *serves its 500 operating* companies worldwide.

The reorganisation, proposed last June, will involve physical transfer of some operating company managements away from the head offices where they have been historically located. Staff levels will rise by a "small" *amount in the Netherlands as a* result of transfers from London.

Unilever had restricted the reorganisation by ruling out an amalgamation of the dual head office structure, split between the Netherlands and the UK since the 1930s.

Nevertheless, the relatively small reduction in the head count, involving less than 100 redundancies in the UK, is likely to lead to disappointment among observers hoping the cuts would have been been deeper.

The new centre will have 1,075 *staff – 675 in London* and 400 in Rotterdam. In addition, 260 jobs that support operating companies will be dispersed from the two head offices to locations near the businesses they serve.

National managements in the UK and the Netherlands, which are currently housed within the *head office will also* be separated, although they will remain physically within the head office complexes. In the UK this will involve 190 jobs and in Rotterdam 140 jobs.

At the end of last year Unilever's head office staff count was just short of 1,800 people.

Unilever said the new structure would "clarify roles and responsibilities, simplify reporting lines and bring about closer relationships between support staff and those they serve".

Mr John Campbell, food manufacturing *analyst* at NetWest Markets, said the important decision was to separate the national and operational managements.

"There will be some who will be disappointed thet the cuts were not more dramatic," be said. "I suspect that was unrealistic bearing in mind the nature *of what these people do.*" Unilever was the world's largest producer of fast moving consumer goods so the head office was unlikely to be much smaller, unless the two beadquarters were unified.

Lex, Page 16

Shake-up for UK food retailing

By Guy de Jonquières, Consumer Industries Editor

A SHAKE-UP in UK food retailing *was signalled yesterday* when Northern Foods, Britain's largest private sector dairy group, announced plans to buy milk directly from farmers.

The move will follow the ending next year of the etatutory monopoly over supply.

The group is setting up a co-operative venture, the Northern Milk Partnership, to which it hopes to recruit more than 5,000 dairy farmers in England and Wales in the next few months.

Northern Foods has promised to buy all its milk needs from members of the partnership *and* to pay them more than the price paid by Milk Marque, the voluntary co-operative into which the state monopoly plans to transform itself after the market is opened to competition.

Legislation to end the Milk Marketing Board's 60-year-old *monopoly is before parliament* and is expected to take effect by the summer of next year.

The MMB will also be required to dispose of Dairy Crest, its dairy processing arm.

Northern Foods buys 2bn litres of milk, worth sbout £500m ($755m) e year. It is a leading supplier of fresh milk to supermarkets and for doorstep deliveries and manufactures a wide range of food products, many of which use milk.

"We have had good service from the MMB over the years, but now that it is to go, we want to ensure security, quality and efficiency in our milk supply by dealing direct with our producers," said Mr Christopher Haskins, chairman of Northern Foods.

The planned partnership will be a non-profit joint venture, *owned and financed equally* by Northern Foods and the producers joining it.

Initial investment will be limited to a £1 subscription by each producer, to be matched by Northern Foods.

The partnership will be chaired by Mr Richard Smith, e dairy farmer who resigned as a member of the MMB last year. He and Mr Haskins said they were confident it would recruit enough members and would benefit both producers and the company by operating more efficiently than the MMB.

As well as offering producers contracts for long term supply, Northern Foods would transport their milk and advise them.

Furlaud to lead American Express

By Alan Friedman in New York

THE board of directors of American Express, the troubled US travel and financial services group, yesterday named Mr Richard Furlaud as its new non-executive chairman, replacing Mr James Robinson who resigned at the weekend.

The election of the 68-year-old Mr Furlaud, a former president of Bristol-Myers Squibb and a member of the American Express board since 1972, caps a week of *internecine boardroom politics* at the company.

Mr Robinson said he would sever all ties to the company last Saturday, only five days after he had staged a counter-coup by having himself re-confirmed as group chairman and taking over the same role at Shearson Lehman, the loss-making investment banking and brokerage arm.

Mr Robinson's departure and the swift election of Mr Furlaud followed protests from institutional shareholders to Mr Harvey Golub, the man who last Monday took over as group chief executive from Mr Robinson.

American Express stock rose by $1⅜ yesterday morning in unusually heavy trading; at midday it was up $1⅜ at $24½.

American Express sought to reassure the market by defining Mr Furlaud's responsibilities as clearly as possible.

It said that as chairman Mr Furlaud would be responsible "for ensuring that appropriate issues are identified for the directors to consider, determining the agenda for board meetings and seeing that significant matters of interest to shareholders are reviewed by the board".

Mr Furlaud said he would work with Mr Golub "to implement the strategies in place to build the American Express brand franchise, restore Shearson Lehman Brothers to profitability and strengthen the company's balance sheet".

It is not known whether Mr Clark might be re-instated at Shearson. American Express said Mr Golub would work with the board at Shearson on a succession plan "to deal with the longer term executive management structure of the firm".

Mr Furlaud, who is 68, was president of Bristol-Myers from 1989 to 1993. At American Express he serves as chairman of the board's compensation, benefits and nominating committee and as a director of Shearson, where he is a member of the board's finance committee.

Argentaria opens with profits of Pta67.4bn

By Tom Burns in Madrid

ARGENTARIA, the state-owned Spanish banking corporation due for partial privatisation, reported net profits of Pta67.4bn ($607m) and a cash-flow of Pta200m in 1992, its first full financial year.

Mr Francisco Luzon, chairman, said Argentaria's "excellent" results guaranteed "a successful flotation", but he said the government, which is Argentaria's sole shareholder, had "not as yet taken an explicit decision" to put the banking group on the market.

"All the necessary conditions are in place for us to go to the market as soon as the shareholder decides," Mr Luzon said.

The government would not comment on the timing of the flotation, but analysts believe the finance ministry, which is seeking to raise funds through disposals to reduce the public deficit, is anxious to give the go-ahead for Argentaria's partial privatisation as soon as possible.

Mr Luzon said he hoped there would be "a major share placement" both in Spain and abroad which would bring in "some 200,000 shareholders". He said he wanted Argentaria to be "a liquid, blue-chip stock" in Spain and on the New York and London stock exchanges.

Argentaria was created in May 1991 when the government pooled five financial institutions it controlled, including Banco Exterior which is now the group's flagship bank, into a single banking corporation. The 1992 net profit represented a 14.7 per cent increase on the income earned by Argentaria's units during 1991.

The banking group, which is particularly active in the mortgage market in financing local authorities, had average total assets last year of Pta9,717bn, making it Spain's largest financial institution.

Mr Luzon said Argentaria's return on assets last year stood at 0.98 per cent, up from the 0.86 per cent calculated for the group in 1991.

Perstorp climbs to SKr81m

By Christopher Brown-Humes in Stockholm

PERSTORP, the Swedish speciality chemicals and plastics group, benefited from its acquisition programme and the devaluation of the krona to record a 21 per cent rise in profits in the four months to December 31.

Earnings after financial items increased to SKr81m ($11.5m) from SKr67m, as sales rose 10 per cent to SKr2.61bn.

The group said the recession had affected most of its markets, although it had benefited from an upswing in the US. In Europe, economic conditions remained weak and the decline in Germany deepened.

It expects that its profits for the year to August will at least equal last year's SKr223m.

The group is continuing its rationalisation programme, with the focus on Sweden, Germany and the UK.

● Stena Line, the Swedish ferry group, is planning a SKr750m rights issue during the spring.

The move is in line with a 1991 agreement with the Stena family when the company received SKr750m in loans to cover losses from Sealink, its UK ferry operation.

A total of SKr450m was provided interest free by the Stena family, in what was essentially an advance rights payment in respect of its 60 per cent holding in the ferry line.

A further SKr300m was advanced at a 12 per cent interest rate.

Stena's fortunes have improved dramatically over the last year, and it is predicting a 1992 profit of SKr300m.

Banque Indosuez in move to new HQ

By Alice Rawsthorn in Paris

BANQUE INDOSUEZ, one of France's leading investment banks, is moving out of central Paris into the suburbs to a new corporate headquarters in the old BP Tower, the office block at the centre of a recent property scandal.

The move comes as Indosuez, part of the Suez industrial group, is trying to raise capital and cut costs to offset the steep provisions it has been forced to make on the losses on its property and business loans portfolios.

Late last year, Indosuez, which saw its net profits fall to FFr82m in the first half of 1992 from FFr517m in the same period a year earlier, raised FFr400m from the sale and leaseback of its prestige headquarters in the heart of the Paris banking district.

It plans in 1996 to move all its operations, currently spread between five different buildings, into the BP Tower, now renamed the Paul Doumer Tower. The BP Tower has been clouded by controversy since the discovery of irregularities in its sale to Lucia, a French property company then headed by Mr Christian Pellerin.

Indosuez last month participated in a recapitalisation of Lucia, in which Suez, its parent company, is a minority shareholder with other French financial institutions.

The move for Indosuez forms part of the trend for large companies to move out of central Paris. Société Générale, another leading French bank, is leaving its Boulevard Haussman headquarters in 1995 to move to the La Défense business district.

Ironically, the drift to the suburbs is intensifying the financial pressure on companies which have large property holdings in the French capital. The Paris property market is in a precarious state with average rentals down by 20 per cent in the past three years. The move out of the city centre is aggravating this problem by increasing the number of properties available for sale or rental.

A Swiss maverick exercises its muscles

Ian Rodger reports on BZ Bank's rise to become the country's fourth most profitable

THERE is a new power in the Swiss financial community – Mr Martin Ebner's eight-year-old securities house, BZ Bank.

BZ has just published its 1992 results, showing net profits of SFr59.5m ($40m), more than double 1991's SFr25.1m.

That makes BZ Switzerland's fourth-largest bank in terms of profits, exceeded only by the big three universal banks, Union Bank of Switzerland, Swiss Bank Corporation and Credit Suisse. (In assets, BZ is still a minnow, with a total of only SFr607.2m, but it has no desire to be a lending bank.)

The buoyant result also shows that the maverick BZ was not just a meteoric product of the frenzied financial environment of the late 1980s. Few other banks did as well in last year's volatile securities markets and depressed economic environment.

BZ has been the biggest player in the Zurich stock market for some time, with a share of about 20 per cent. It dominates the Swiss covered warrants market, and its two quoted investment trusts, BK Vision and Pharma Vision, have massive shareholdings in some of the country's biggest companies.

BK Vision last month showed its willingness to flex its muscles by challenging the decision of UBS, in which it is the largest shareholder, to dump from their board Mr Christoph Blocher, the anti-European Community politician and industrialist and a close associate of Mr Ebner.

Power is what BZ has been all about ever since its beginnings in 1985. Mr Ebner had been head of research at Bank J. Vontobel, the venerable Zurich private bank. He wanted the bank to reduce its emphasise on its slow-moving private client business and instead specialise on research and block trading for a small number of large institutional clients. Vontobel refused and he left.

Two large institutions that he had got to know while at Vontobel, Sweden's Carnegie Fondkommission and the Swiss commodities trading house Gebrüder Volkart, backed him in setting up BZ, but they have since sold out.

The BZ group, with consolidated equity of about SFr1bn and SFr10bn in funds under management, is now majority owned and controlled by its management.

As for Mr Ebner, he figures in a recent list among the 100 wealthiest Swiss, with a fortune estimated at between SFr300m and SFr400m.

The group cultivates a modest image. The bank itself has a staff of only 20 who work in a sparsely furnished open-plan office above a department store in a nondescript corner of downtown Zurich.

It claims to have only a dozen regular clients, but they include some of Switzerland's largest pension funds and insurance companies and a couple of UK merchant banks.

From its beginnings, BZ was one of the most active players on the Zurich bourse, and one of the most successful. Other brokers soon began to watch it carefully, and often blindly followed its moves.

This has given the bank an extra power, and its persistent opposition to the development of a national electronic exchange, an issue over which Mr Ebner resigned from the board of the bourse three years ago, illustrates how reluctant he is to lose it.

BZ's first and most successful innovation, in 1986, was convincing Swiss institutions to write options on their registered shares of Swiss companies. At the time, most companies refused to register shares held by foreigners.

It foresaw that these restrictions would gradually be removed as foreign pressure forced Swiss companies to fall into line with international practice. This would cause the shares to rise in value to the level of the companies' other securities, and the options gave all investors, including foreign ones, the opportunity to participate in these movements.

The restrictions have now been largely removed, but the warrants continue to be popular as a tax avoidance device, and BZ leads in both issuing and dealing in them.

The bank gained wider prominence in 1988 when it launched an audacious, but ultimately thwarted, bid for Bank Leu, then the country's fifth-largest.

BZ's most controversial move has been into investment trusts. In July 1991, the group, together with Mr Blocher, bought a controlling stake in Pharma Vision. It was then a sleepy trust with large holdings in the big Swiss pharmaceutical companies, Ciba-Geigy, Roche and Sandoz, as well as some US shares and Ems Chemie, the Swiss speciality chemical company controlled by Mr Blocher.

Three months later, a similar trust, BK Vision, was formed to hold stakes in banks. BK got off to a strong start, as some of BZ's powerful clients exchanged their bank shares for its shares, and already has assets of SFr1.2bn.

Mr Ebner and Mr Blocher portray these ventures as the leading edge in shareholder power in Switzerland. As Mr Blocher, chairman of Pharma Vision, said shortly after the takeover: "Pharma Vision focuses on a small number of promising holdings. This facilitates communication with the management of the respective companies. Thus Pharma Vision assumes a role which cannot be played by the individual shareholder in an increasingly anonymous and fragmented shareholder community."

That is a laudable aim, even if it makes company directors uncomfortable. But critics claim that in a small market like Switzerland's, and one in which disclosure requirements are still primitive, BZ's concentration on large blocks of shares of a very few companies offers opportunities for manipulation that would not be available in more transparent markets.

Mr Ebner makes no apologies for the group's policy of focusing on only a few Swiss shares, saying he prefers to stick with what he knows best. Also, the group concentrates on blue-chip issues, where liquidity and transparency are high.

He acknowledges that BZ has some power over the companies in which it holds large blocks of shares, but he insists he uses it responsibly. He is not interested, for example, in insider information that might move the market in the short term. Rather, he wants to support managers who he believes will make their companies perform well in the longer term.

That may be all there is to it. But it is intriguing that the directors of UBS have chosen – by sacking Mr Blocher – to invite a confrontation with BK Vision and Mr Ebner now.

They, like Mr Ebner, cherish power, too.

Metra takes majority stake in Italy's Sanitari Pozzi

By Haig Simonian in Milan

A FURTHER step towards the concentration of Europe's sanitaryware market was taken yesterday with the purchase by the Finnish Metra group of 51 per cent of Sanitari Pozzi, Italy's leading producer.

The holding is being bought by Allia, the French sanitaryware company controlled by Metra.

The price of the deal, which will take place via a reserved capital increase, has yet to be agreed. However, the sale should net at least L20bn ($13.7m) for Finanziaria Pozzi Ginori, the quoted holding company which owns both Sanitari Pozzi and the Richard Ginori fine china group.

Allia will have an option, expected to be exercised, on the remaining shares in Sanitari Pozzi.

Sanitaryware accounted for about half Finanziaria Pozzi Ginori's 1991 sales of L209bn.

Bankers say Sanitari Pozzi, controlled by Mr Salvatore Ligresti's Premafin holding company, has been on sale for some time.

No figures for its earnings are available, but it is believed to have been making losses in recent years. The sale will realise an unspecified capital gain for Finanziaria Pozzi Ginori.

The deal marks the second foreign acquisition of a big Italian sanitaryware maker in less than three years.

In July 1990, Blue Circle, the UK cement and home products group, bought Ceramica Dolomite, the country's second-biggest sanitary and bathroomware maker, for L80bn.

The latest deal consolidates Metra's position as one of Europe's leading makers of sanitaryware.

Apart from Allia, Metra controls Keramag in Germany, as well as a number of companies in Scandinavia. The group, listed in Helsinki and traded on SEAQ in London, also makes diesel engines and locks.

● Istituto Bancario San Paolo di Torino, the bank which floated 20 per cent of its shares last year, has released preliminary figures for its first year as a listed company.

Gross operating profits rose by 22.6 per cent to over L1,600bn, while interest income jumped by 24.4 per cent to L2,900bn. Fee earnings increased by 15.4 per cent to L3,600bn. The comparisons are all adjusted for changes linked to the flotation.

Direct deposits from customers rose by almost 13 per cent to L69,000bn, while total customer loans climbed 13.6 per cent to L70,000bn.

The proportion of the bank's troubled loans rose to 3.65 per cent from 3 per cent in 1991 as a result of the recession in Italy.

However, the ratio remained below the Italian average, said the bank.

V'A'R'D

VARD AS

Notice of Extraordinary General Assembly

Notice is hereby given of an Extraordinary General Assembly of Vard AS which will take place on Tuesday 9 February 1993 at 1300 hrs. at Grand Hotel, Oslo.

Agenda items:

1. Election of an assembly Chairman and two shareholders to endorse the minutes of the assembly. Registration of shareholders.
2. Election of a new Board and Chairman of the Board. Einar Falck has resigned from the Board. As a result of his position as Chairman of the Board of Kloster Cruise Limited, Knut U. Kloster jr. has expressed a desire to withdraw as Chairman of the Board of Vard. Kloster will remain a Board member of Vard. The Board will submit a proposal to elect Terje Mikalsen as the new Chairman of the Board. Mikalsen is CEO of Mosvold Farsund AS, Chairman of the Board of Hafslund Nycomed and Norsk Data, and a Board Member of Tandberg A/S.
3. Consideration of the Board's proposal to the General Assembly to give the Board the authority to increase the share capital through the subscription of new shares in accordance with Securities Law §4-8.

The Board has concluded a stock option agreement with Mosvold Farsund AS subject to approval by the General Assembly.

The Board submits for approval the following proposal:

"The General Assembly authorizes the Board to increase the share capital by up to NOK 3,680,000,- through the issuance of up to 1,600,000 shares in the Company. The shareholders relinquish their preference to subscription rights and the new shares will be entitled to dividend payments declared for the financial year 1993.

The authorization will be employed to fulfill the terms of Mosvold Farsund AS' stock option to acquire shares for NOK 64,- per share. Should Vard's share capital or the par value of the underlying share be altered or dividend be paid, the option price will likewise be adjusted. Upon exercise of the option, the option premium of NOK 5,- per share will be deducted from the purchase price. The authorization is valid until 28 February 1994 inclusive."

The election of an additional Board Member may be proposed at the General Assembly.

4. Miscellaneous.

The Board of Directors of Vard AS
Hoffsveien 15, P.O. Box 244,
Skøyen, 0212 Oslo, Norway
February 1993

To the Holders of WARRANTS OF

TOKYU CONSTRUCTION CO., LTD.

(the "Company")

U.S. $150,000,000 4¼ per cent. Guaranteed Notes due 1993 with Warrants

and

U.S. $170,000,000 4¼ per cent. Guaranteed Notes due 1995 with Warrants

NOTICE OF ADJUSTMENT OF SUBSCRIPTION PRICE

NOTICE IS HEREBY GIVEN that, as a result of the issue by Tokyu Construction Co., Ltd. (the "Company") on 28th January, 1993 of U.S. $180,000,000 2¾ per cent. Guaranteed Notes due 1997 with Warrants to subscribe for shares of common stock of the Company at an initial Subscription Price of 432 Yen per share, the Subscription Prices for the above captioned Warrants have been adjusted.

With effect from 29th January, 1993, the Subscription Price at which shares are issuable upon exercise of the Warrants issued in conjunction with the U.S. $150,000,000 Notes due 1993 has been adjusted from 1,210 Yen to (1,176.00) Yen per share of common stock of the Company, and the Subscription Price at which shares are issuable upon exercise of the Warrants issued in conjunction with the U.S. $170,000,000 Notes due 1995 has been adjusted from 1,261 Yen to (1,225.60) Yen per share of common stock of the Company.

THE INDUSTRIAL BANK OF JAPAN TRUST COMPANY
on behalf of:
TOKYU CONSTRUCTION CO., LTD.
Dated: 2nd February, 1993.

NOTICE TO HOLDERS OF

PRIMERICA CORPORATION

5½% Convertible Subordinated Debentures Due 2002

(Originally issued by American Can Company)

NOTICE IS HEREBY GIVEN, pursuant to Section 14 of the Fiscal and Paying Agency Agreement dated as of April 22, 1987, as amended by the First Amendment Dated as of December 15, 1988 and the Second Amendment Dated as of December 8, 1992 (as so amended, the "Agreement") between Primerica Corporation, a Delaware corporation (the "Issuer"), and Morgan Guaranty Trust Company of New York, as fiscal agent and conversion agent (the "Agent"), under which the 5½% Convertible Subordinated Debentures Due 2002 (the "Debentures") were originally issued by American Can Company, that (i) on January 27, 1993 the Board of Directors of the Issuer declared a 3-for-2 split in the Issuer's common stock, par value $0.01 per share (the "Common Stock") in the form of a 50% stock dividend (the "Stock Dividend") payable on February 26, 1993 to shareholders of record at the close of business on February 8, 1993 (the "Record Date") and (ii) as a result of the Stock Dividend, the Conversion Rate of Debentures (as defined in the Agreement) will be adjusted as set forth below.

Effective retroactively immediately after the Record Date, each $1,000 of principal amount of the Debentures will be convertible, in accordance with the terms of the Agreement and the Debentures, into 22.4720 shares of Common Stock plus cash in the amount of $4.67 for each share of Common Stock so issued.

PRIMERICA CORPORATION
By: Morgan Guaranty Trust Company
as Fiscal Agent and Conversion Agent

Dated: February 2, 1993

KB IFIMA N.V.

KB Internationale Financieringsmaatschappij N.V.

US$ 150,000,000
Guaranteed Floating Rate Notes due 2011

In accordance with the Description of the Notes, notice is hereby given that for the Interest Period from January 29, 1993 to April 30, 1993 the Notes will carry an Interest Rate of 5% per annum.

The Interest Amount payable on the relevant Interest Payment Date, April 30, 1993 against coupon No. 28 will be US$ 126.39 per Note of US$ 10,000 nominal and US$ 3,159.72 per Note of US$ 250,000 nominal

The Agent Bank
Kredietbank Luxembourg

Ahold raises retail holdings in Portugal

By David Brown in Amsterdam

AHOLD, the Dutch retail and supermarket group, said yesterday its Portuguese joint venture, Jeronimo Martins Retail (JMR), planned to take full control of a large Portuguese supermarket chain, Ino Supermercados.

The deal will add 54 supermarkets and annual sales of some $200m to the JMR joint venture, which presently consists of 40 Pingo Doce chain stores with annual sales of over $300m. JMR now enjoys a 10 per cent market share in Portuguese food retailing. An Ahold spokesman said the terms of the deal would be finalised and disclosed "within several weeks".

Est. Jeronimo Martins & Filho Holding, the leading Portuguese food producer which is the 51 per cent majority shareholder in JMR, has already acquired Inovacao Sgps, the parent company of Ino Supermercados.

As part of the deal, two other Inovacao subsidiaries – a chain of mainly non-retail hypermarkets, called Feira Nova FN, and a smaller cash-and-carry operation – were also acquired.

Discussions are under way between Ahold and Jeronimo Martins as to whether the Feira Nova operation, with annual sales of $210m, should also be absorbed by JMR. Ahold stressed yesterday that its primary business interest remained food retailing.

When JMR was formed in July last year, Ahold paid Es7.7bn ($54.4m) for its 49 per cent stake. The Pingo Doce chain was fully-owned by Jeronimo Martins. Under the terms of the venture, both partners have equal voting rights and take key management decisions unanimously.

DnB considers setting up separate units

By Karen Fossli in Oslo

DEN norske Bank, Norway's biggest bank, is considering a sweeping reorganisation of its corporate structure to strengthen its healthier operations which have been weakened by five years of massive credit losses and mounting non-performing loans.

The bank is considering establishing a holding company structure under which a so-called "good bank," its healthy operations, would be established.

A "project bank" would also be established. This would hold non-performing loans, high-risk loans and property acquired by the bank which served as collateral for loans which became non-performing.

DnB has acquired property valued at an estimated NKr3bn ($437m) and owns property worth another NKr3bn. The bank also has about NKr10bn in non-performing loans. These three portfolios accounted for nearly 10 per cent of its assets at the end of last year.

In November, DnB said it would establish DnB Eiendom, a separate unit under the bank's current structure, comprising real estate commitments stemming from the bank's own property, property acquired as collateral from customers unable to fulfil commitments and a substantial number of property loans which require "special" competence.

DnB Eiendom is expected to be operating this year, and if successful DnB could take a further step by reorganising into a holding company structure, but it does not expect this to happen in 1993.

Although finance ministry officials have so far rejected a scheme to help revive the banks in which their bad loans would be transferred to a bank established by the state – a so-called "bad loan" bank – the government has said it might consider proposals by individual banks to establish their own subsidiaries into which they could off-load non-performing loans.

The ministry is expected this spring to present a paper on the future of the banking sector and which may provide an indication of the government's position on bad loan bank subsidiaries. The state currently owns about 70 per cent of DnB's share capital after last year providing the bank with NKr1.5bn in preference capital and a NKr600m state guarantee.

This announcement appears as a matter of record only

VF CORPORATION
READING, PA
U.S.A

VF CORPORATION
has acquired
VIVESA (Spain)
Brand names: Intima Cherry, Bylitis, Majestic and Gemma
and
JEAN BELLANGER ENTREPRISES (France)
Brand names: Lou and Carina

Citibank N.A.
acted as financial adviser to
VF Corporation
January 1993

CITIBANK

Citibank NA, 19, Le Parvis, 92 073 Paris - La Défense, France

Temple Court Mortgages (No. 1) PLC

£175,000,000

Mortgage Backed Floating Rate Notes 2029

The rate of interest for the period 29th January, 1993 to 30th April, 1993 has been fixed at 6⅝ per cent. per annum. Coupon No. 13 will therefore be payable on 30th April, 1993 at £165.17 per coupon.

S.G.Warburg & Co. Ltd.
Agent Bank

Nakamura outlines plans to iron out Ilva's troubles

Emiko Terazono reports on the changes at Italy's state steel group

MR HAYAO Nakamura conforms little to the stereotype of the Japanese business manager, despite his uniform blue suit and Nippon Steel badge on his lapel.

He has spent more than 30 years working in Italy, mostly with Nippon Steel, speaks good Italian, and has just accepted a remarkable challenge. He has agreed to take over as chief executive of Ilva, Italy's ailing state-run steel group.

The 56-year-old Mr Nakamura is the first Japanese to be recruited into such a senior post in a state-run European industry. He has also been offered the job in a country which has been the most protective about letting in Japanese industrial competition.

"I was surprised that Ilva was desperate enough to ask a foreigner, but at the same time I was taken by the brave decision," he said yesterday.

"I first thought it would be easier if I didn't accept the offer," he added.

His appointment, announced on January 22, followed the dismissal of the Ilva board by IRI, the Italian state-holding company which is the shareholder of the steel group. Mr Nakamura, who left Nippon Steel last month, will take over on on February 18.

Unlike most Japanese executives who are reserved, he is prepared to give straightforward opinions. He has few illusions about the problems of tackling Ilva with its debts of over L8,300bn ($5.5bn) and the urgent need to restructure as the group struggles to cope with excess capacity and falling European steel prices. Ilva, which emerged from the remains of the former Finsider group, is expected to have losses for 1992 close to L2,000bn.

He already knows the Italian steel industry well, having worked on the extension of the vast Taranto complex in the mid-1970s and helped Ilva with its Novi Ligure rolled coils facility. But being an outsider, Mr Nakamura says, will allow him to take what could become drastic restructuring measures. An insider – or even another European executive – would have found it more difficult to take painful decisions.

The implication of these comments is that he plans big changes in the Italian steel industry. He believes the restructuring process will take up to three years and can be achieved via a mixture of changes in management, finance and production. He regards it as important to eliminate political appointees in Ilva management – this is also the philosophy of Mr Michele Tedeschi, the increasingly powerful chief executive of IRI.

Further resort to outside talent will be limited, he says: and he claims he has no plans to bring in former colleagues from Nippon Steel.

The most pressing problem he envisages will be dealing with the workforce and Ilva's suppliers. He wants to instill a greater sense of responsibility for Ilva's products among the 40,000 strong workforce. He warned Italy's highly unionised workforce that he would not be seeking consensus at any price, and that he would take a tough line on strikes and overtime.

He appears determined to tackle head-on the restructuring of the vast Taranto complex located in the heel of southern Italy. The importance of Taranto to local employment makes the issue of restructuring this plant politically sensitive. But having advised on the plant's engineering, he reckons he is one of the few outsiders who know how to run Taranto.

On the financial side, he anticipates Ilva will transfer two-thirds of its debts to a separate corporation. This is a pattern which IRI is also following with Iritecna, its troubled general contracting group, whose board was dismissed last week.

He denies suggestions of special ties being developed between his former employers, and Ilva. But he recognises technological ties may be enhanced, especially in new steelmaking processes; and in an increasingly competitive international market his new employers in Italy may need all the help they can get.

Bridgestone reveals plans for senior management shake-up

By Charles Leadbeater in Tokyo

BRIDGESTONE, Japan's largest tyremaker, yesterday announced a senior management shake-up, with the promotion of the chief executive of its US operations to run the group.

Mr Yoichiro Kaizaki, Bridgestone's executive vice-president in charge of its Bridgestone/Firestone operations in North America, will become the group's president. Mr Akira Yeiri, the current president, is resigning but will remain an adviser to the company.

Japan has not witnessed the dramatic upheaval in senior management which has hit large US companies in the past few months, with the departure of several senior executives from leading companies such as General Motors, IBM and American Express.

However, the Bridgestone change is part of a more evolutionary change in senior management in Japanese corporations brought on by two years of falling profits at most companies.

The tyremaker's shake-up follows similar changes recently at Sanyo, the electronics group, Cannon, the camera and copier manufacturer, and Honda, the carmaker.

Mr Kaizaki, chairman and chief executive of Bridgestone/Firestone, is widely credited with taking tough action to turn around its US plants, which were incurring heavy losses after Bridgestone acquired them, for $2.6bn, in 1988.

Since then, Bridgestone has invested about $1bn to modernise the US plants.

Mr Kaizaki, 59, joined Bridgestone in 1962. He has spent most of his career outside the mainstream tyre business running the group's chemical and industrial products division. He moved to the US in 1991 to take over the US operations. The company did not announce a successor.

Thai carrier registers 85% fall in net profits

THAI Airways International, Thailand's partially-privatised national airline, yesterday reported an 85 per cent fall in net profits to Bt120.01m ($4.7m) for the first quarter to December 31, down from Bt792.23m a year earlier, AP-DJ reports.

Gross revenues edged up 0.3 per cent to Bt14.09m from Bt14.05m, but operating revenues fell 1.7 per cent to Bt12.19m. Pre-tax profits, meanwhile, tumbled 88 per cent to Bt144.44m from Bt1.61bn.

Operating profits from airline activities fell 61 per cent to Bt638.89m from Bt1.63bn. Charges for aircraft depreciation rose 29 per cent to Bt1.89bn.

The airline's shares, which began trading in July, represent nearly 6 per cent of the total capitalisation of the Thai stock market. The share price fell Bt1 yesterday to Bt53.00 in moderate trading.

Barclays de Zoete Wedd Research lowered its earnings forecast for the full fiscal year to Bt2.2bn from Bt4bn. It said it had expected the airline to derive Bt1.5bn of its profit from the sale of three DC-10 and four Airbus jets this year.

However, the decline in earnings in the latest period was "larger than we were going for," Ms Sarah Knaggs, BZW analyst, said.

She noted the first-quarter result was particularly significant because it came during the tourist high season, when the airline was expected to pull in the most revenue.

Thai Airways company said an explanation of the steep fall in earnings would be released today, following disclosure to the stock exchange authorities.

Bank of East Asia exceeds expectations

By Simon Davies in Hong Kong

BANK of East Asia, Hong Kong's third-largest listed banking group, has announced a 36 per cent increase in net profits to HK$685.3m (US$89m) for 1992, up from HK$501.4m a year earlier.

The profit figure, after transfers to the bank's inner reserves, was above market expectations due to unexpectedly high non-banking earnings. The bank's operations reported a 28 per cent increase in profits, aided by unusually wide interest rate margins and a higher rate of growth in both deposits and loans.

Bank of East Asia is the first of Hong Kong's banks to announce its 1992 results, and analysts are anticipating a sector average of close to 30 per cent growth in net profit.

Mr David Li, chief executive, predicted an improved performance from the banks in 1993. The sector has been hit by a government-imposed ceiling of 70 per cent on mortgage financing, but this is expected to be revoked as a result of lower property prices.

Bank of East Asia proposed a final dividend of 52.5 cents a share, making a full-year payout of 80 cents a share in 1992, compared with 62.5 cents in the previous year.

● Malayan Banking (Maybank), Malaysia's biggest bank, has announced pre-tax profits in the six months to December 31 1992 of M$346.53m (US$138.6m), a 27 per cent rise on the M$272.1m reported for the corresponding period in 1991, Kieran Cooke reports from Kuala Lumpur.

Mr Ahmad Mohamad Don, managing director, said the bank expected to maintain its profitability in the second half, even though the Malaysian economy was showing signs of slowing down.

Total customer deposits stood at M$33.2bn at the end of the reporting period, a 23 per cent increase over the 1991 figure. Loans and advances stood at M$33.9bn, a 10 per cent increase on 1991.

ASC may act over Campbell bid complaints

By Bruce Jacques in Sydney

THE Australian Securities Commission (ASC) has reacted to criticism of the takeover bid by Campbell Soup, the US food group, for Arnotts, the Australian biscuit maker.

Mr Michael Braham, the ASC's New South Wales regional commissioner, said yesterday he had received complaints alleging shareholders had been misled by statements from Campbell which suggested the company would not extend its takeover bid beyond last week.

Mr Braham said Campbell had now stated that its final offer of A$9.50 for Arnotts would be neither increased nor extended beyond February 5.

"The ASC is concerned where directors or their advisers use ambiguous language during takeover bids when communicating to shareholders or speaking to the media with the result that shareholders are confused," he said.

"The ASC is considering issuing a practice note setting out its views on statements made during takeover bids. The ASC believes that companies and their advisers should take care not to make statements which, while not factually inaccurate, may mislead shareholders and the market or create uncertainty."

● MR JOHN McCarthy, head of ANZ Bank's property and investment services division, has been appointed managing director of RJI, the New Zealand property company, writes Terry Hall in Wellington.

RJI, with assets of over NZ$1bn (US$526m), is the biggest property company listed in Australasia. Mr McCarthy's appointment follows the resignation of RJI's founder chairman and executive director, Sir Robert Jones, last year.

Mr McCarthy said he would manage the business from Sydney, and did not rule out the possibility that the company's head office would be moved from Wellington. Although most of the company's shareholders were New Zealanders, he said 60 per cent of the property assets were in Australia.

INTERNATIONAL COMPANIES AND FINANCE

Surprise dividend increase by Japanese oil refiner

By Robert Thomson in Tokyo

THE conflicting corporate philosophies of the US and Japan were brought sharply into focus yesterday when Tonen, a Japanese oil refiner in which Exxon and Mobil, the US oil companies, each have a 25 per cent stake, unveiled a hefty dividend increase.

Japan's meagre dividend levels have been cited by Washington as a "structural impediment" to trade and repeatedly condemned by Japanese life companies. But Tonen is the talk of Tokyo not because the payout is too small, but because it is too large and getting larger.

The ratio of Tonen's dividend to net profits has risen from 37.6 per cent in 1987, to 93.7 per cent in 1990 and, for the year just ended, a mighty 174 per cent, much to the discomfort of its Japanese managers, who would prefer to bolster the company's reserves.

Mr Takuya Fujimura, Tonen's managing director, explained that the company had been "requested" by Exxon and Mobil to increase the dividend, and the increase from Y26 in 1991 to Y50 was made after considering relevant circumstances.

One such circumstance is that the two US oil companies, if they joined forces, would hold sway at a shareholders' meeting.

However, Tonen's pre-tax profit for the year to December is expected to fall 5 per cent to Y32.7bn ($262m), while sales were down 14 per cent to Y558bn. In attempting to save face in announcing the year-end dividend of Y37.5, following a Y12.5 interim payout, the company found two handy anniversaries on which to hang the increase.

One anniversary, coming a year early, was the establishment, in 1893, of a Mobil unit in Yokohama, and the other was that an Exxon Japanese subsidiary began business in Japan in 1893. Japanese brokers were wondering aloud last night what anniversary would be found to justify the next dividend payout.

The average Japanese payout last fiscal year was about 38 per cent, though the Life Insurance Association of Japan found that 46 per cent of companies held the payout ratio below 30 per cent. It said the average yield on Japanese equity was around 1.97 per cent – about one-third that of the US – while the yield on the 225 stocks in Tokyo's Nikkei index was a slim 0.89 per cent in calendar 1992.

About 20 per cent of Japanese companies plan to cut or suspend dividends in the year to end-March, and most will leave the amount unchanged.

TONEN
Ratio of dividend to net profits

Year	%
1986	33.4
1987	37.5
1988	72.0
1989	82.7
1990	93.7
1991	95.8
1992	74.0

Source: Company accounts

J. P. Morgan raises $1bn for private equity fund

By Patrick Harverson in New York

J. P. MORGAN, the US banking group, announced yesterday it had raised more than $1bn for its Corsair Partnership, a new private equity fund that will make strategic investments in banking companies in the US and worldwide.

The blue-chip New York bank has invested $100m of its own money into the fund, giving it the largest single stake.

The rest of the $1bn has come from 46 different partners, including financial institutions, pension funds, public and private companies, wealthy individuals and small investment partnerships.

Mr Nick Paumgarten, a J. P. Morgan managing director and chairman of Corsair, said the fund planned to invest minority stakes in undervalued banks that have an existing management team and business plan, but which need of fresh capital.

Each investment will be made with the full support of bank managements, and Corsair will not seek to control or acquire the banks in which it invests, although it will offer access J. P. Morgan's banking expertise.

J. P. Morgan may be taking a gamble with Corsair, because it is entering a relatively crowded market. Other similar investment partnerships, run by such big guns of investment banking as Goldman Sachs, Lazard Frères and Kohlberg Kravis Roberts, have been taking private equity stakes in banks for several years.

Many of these partnerships have enjoyed large returns from their investments, primarily because US banks reached a trough in terms of performance and capital strength more than two years ago, and the industry has been steadily recovering ever since.

Mr Paumgarten admits that Corsair is arriving late on the scene, but believes there are "incredible" investment opportunities outside the US, particularly in parts of Europe and the Far East.

CP sees return to profit this year

By Robert Gibbens in Montreal

CANADIAN PACIFIC, the transport, resources and property group that was forced to restructure by the long North American recession, staged a turnround in the final quarter of 1992 and expects to be profitable in 1993.

Operations at the group's rail, road and marine transport units remained depressed, but the thriving PanCanadian Petroleum oil and gas subsidiary doubled its contribution. Forest product losses were much lower, while property and hotels improved.

Mr William Stinson, chairman, said that "slowly improving economic conditions together with rising efficiency should lead to a return to profitability in 1993".

William Stinson: confident of upturn as conditions improve

CP posted a C$2.7m (US$2.1m) profit in the final quarter of 1992, against a loss of C$29m a year earlier, but after special charges the final loss came out at C$254m, or 80 cents a share, against a loss of C$887.6m, or C$2.79, in 1991.

Revenues were C$2bn, compared with C$2.5bn, but the decline was partly due to disposals.

For the whole of 1992, the company posted a loss of C$37.4m before special charges, against a loss of C$16.2m a year earlier. The final loss rose to C$478.2m, or C$1.50 a share, against a deficit of C$913.8m, or C$2.87, in 1991. Revenues fell to C$8.9bn from C$10bn.

The 1992 special charges covered continued rail and truck rationalisation and manpower cuts, and a write-down of CP's investment in its US industrial products associate.

CP Rail performed poorly because of the recession. The western coal operations were hit by a strike, but have since been expanded by acquisition and should improve in 1993.

Telecommunications were not profitable. The group's stake in Unitel Communications, the Canadian telecoms company, has dropped below 50 per cent following the C$150m purchase by AT&T of the US of a 20 per cent interest.

PanCanadian, with sharply higher earnings from rising oil and gas production, is spending C$430m on exploration and development this year, up 2 per cent from 1992.

CP Forest should return to profitability in the second half of 1993, while Marathon Realty's and CP Hotels' progress may be held back by the slow recovery. Container shipping has a slightly better outlook, while the associate Laidlaw is improving.

Blockbuster improves to $142m

By Nikki Tait in New York

BLOCKBUSTER Entertainment, the US video rental chain which acquired the City-vision group in the UK, yesterday reported after-tax profits of $45.1m in the final three months of 1992, taking the total for the year to $142m.

In the fourth quarter of 1991, Blockbuster made an after-tax profit of $29m, and for all of 1991 $93.7m. At the earnings per share level, the Florida-based company – whose recent expansion moves have attempted to create a "full-service" home entertainment group, rather than one narrowly focused on video rental – saw a figure of 77 cents in 1992, up from 56 cent in the previous 12 months.

Blockbuster said revenues increased by 31 per cent to $1.08bn in 1992 overall, although this partly reflected the impact of acquisitions and expansion. In the fourth quarter, revenues for video stores which had been in operation for more than one year increased by 5.8 per cent.

Yesterday, Blockbuster's finance director, Mr Gregory Fairbanks, was said to be comfortable with earnings estimates for the first quarter of 1993 that fall in the 18 to 20 cents a share range.

He also estimated that Blockbuster commanded about 15 per cent of the US video rental market at end-1992, up from about 12 to 13 per cent in 1991.

By the end of last year, the company had 3,127 video stores, of 2,002 were company-owned (including 775 stores in the UK, under the Ritz name). The remainder were franchised.

Imasco ahead 17% in spite of provisions

By Robert Gibbens

IMASCO, the financial services, tobacco, fast-food and retailing group, posted a 17 per cent gain in profit in the final quarter of 1992 on revenues that rose only 2 per cent.

The company has succeeded in turning around Hardee's, the US fast-food unit. In Canada, tobacco products continued to improve, but financial services were hit by bigger loan loss provisions. Drug stores did well, but other retail operations continued weak.

Fourth-quarter earnings were C$110.7m (US$86.8m), or 88 cents a share, against $94.4m, or 74 cents, a year earlier.

Revenues were ahead at $2.02bn, against $1.98bn.

Operating profit for Imperial Tobacco, which has 66 per cent of the cigarette market, rose 8 per cent, while Canada Trustco's contribution dropped 70 per cent because of the special provisions.

For the whole of 1992, Imasco, 40 per cent controlled by BAT Industries, reported net profit of $380.4m, up 15 per cent from 1991, equal to $2.97, against $2.56. Revenues were little changed at $7.98bn.

Banco do Brasil benefits from debt repayments

BANCO do Brasil, the state-controlled commercial bank that is Brazil's second-largest financial institution, announced profits of $446.8m for 1992, up 77 per cent over the 1991 final figure of $262m, writes Bill Hinchberger in São Paulo.

The bank attributed the improved performance primarily to a reduction in non-performing domestic loans and interest payments by the Brazilian government on its $44bn overseas debt. Banco do Brasil holds about $6bn in Brazilian foreign debt, a figure roughly equivalent to its entire net domestic assets, according to Mr Gil Garcia, the bank's chief accountant.

Overdue domestic loans were gradually reduced in relation to overall loan operations during the last three months of 1992, Mr Garcia said.

Peruvian government upholds sale of airline

By Damian Fraser in Mexico City

THE PERUVIAN government has upheld the sale of the state-owned airline Aeroperu to a consortium headed by the Mexican carrier Aeromexico.

Aeromexico and partners bid $54m for the airline, but the sale was challenged on the grounds that the Peruvian carrier would be controlled by foreign investors, contrary to Peru's privatisation rules.

While Aeromexico would own only 47 per cent of Aeroperu, it was maintained that its close ties with its Peruvian partners gave it effective control.

However, Peru's economy minister said the sale was a "closed case". Aeromexico will, therefore, gain control of Aeroperu's flights to Europe and expand business into South America.

The sale comes as Aeromexico, which has around half the Mexican market, is holding talks with Mexicana, Mexico's other principal airline, on a possible merger.

Mexicana is expected to make heavy losses this year, and its owners are keen to team with the more efficient rival. In spite of a recent law against monopolies, the government appears willing to let the merger go ahead.

Investors in Aeromexico and Mexicana will, it is reported, create a holding company to manage both airlines, with Aeromexico having majority ownership. The new holding company may well seek an alliance with Continental Airlines, since Mr Alfredo Brener, Mexicana's main shareholder, will acquire an interest in the Houston-based carrier when, as expected, it emerges from bankruptcy protection soon.

Chubb lifted by investment gains

By Nikki Tait

CHUBB, the US insurer, yesterday lifted after-tax profits to $617.1m, or $6.96 a share, in the 12 months to the end of December, compared with $552m, or $6.32, in 1991.

In the fourth quarter, the New Jersey-based company made a net profit of $197.5m, or $2.21 a share, up from $139.3m, or $1.58, a year earlier.

The annual results came after realised investment gains of $123.6m, compared with $43.4m in the previous year. They also reflected a deterioration on the underwriting front, with Chubb returning a $15.3m underwriting loss, against an $18.6m surplus in 1991.

This was partly due to heavy catastrophe losses, which have affected the industry generally. Chubb's catastrophe losses last year were $175.3m, compared with $71.6m in 1991.

● American General unveiled after-tax profits of $532.7m, or $4.89 a share, in 1992, compared with $480.2m, or $4.26, in the previous year.

The Houston-based financial services and insurance company said that operating earnings, ahead of realised investment gains, were $523.7m, compared with $479.4m in 1991.

● Standard & Poor's has lowered its rating on the claims-paying ability of Hannover Reinsurance to Double-A-Plus from Triple-A, AP-DJ reports from New York. The downgrade reflects lower operating results and S&P's expectation that future earnings will remain under pressure.

S&P said: "Operating results in the last five years have been very volatile despite the company's cyclical underwriting strategy." Hannover Re's combined ratio over the period has fluctuated between 109.5 per cent and 124.2 per cent."

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, February 1, 1993. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	68.2834	41.7016	54.6831
Albania	(Lek)	160.38	110.341	67.3865	88.3636
Algeria	(Dinar)	32.30	22.2222	13.5714	17.7961
Andorra	(Fr Fr)	8.0450	5.5349	3.3802	4.4325
	(Sp Peseta)	168.80	116.133	70.9243	93.0027
Angola	(Kwanza)	859.79	591.531	361.256	473.713
Antigua	(E Carr $)	3.9365	2.7082	1.6539	2.1688
Argentina	(Peso)	1.4528	0.9995	0.6104	0.8004
Aruba	(Florin)	2.61	1.7956	1.0966	1.438
Australia	(Aus $)	2.1555	1.4829	0.9056	1.1876
Austria	(Schilling)	16.695	11.486	7.0147	9.1983
Azores	(Port Escudo)	214.70	147.712	90.21	118.292
Bahamas	(Bahama $)	1.4535	1	0.6107	0.8008
Bahrain	(Dinar)	0.5490	0.3777	0.2306	0.3024
Balearic Is	(Sp Peseta)	168.80	116.133	70.9243	93.0027
Bangladesh	(Taka)	58.1693	40.0202	24.4409	32.0493
Barbados	(Barb $)	2.9325	2.0175	1.2321	1.6157
Belgium	(Belg Fr)	49.00	33.7117	20.5882	26.9972
Belize	(B $)	2.9160	2.0061	1.2252	1.6066
Benin	(CFA Fr)	402.25	276.746	169.013	221.625
Bermuda	(Bermudian $)	1.4535	1	0.6107	0.8008
Bhutan	(Ngultrum)	42.4275	29.1898	17.8266	23.376
Bolivia	(Boliviano)	6.0070	4.1327	2.5239	3.3096
Botswana	(Pula)	3.3365	2.2954	1.4018	1.8382
Brazil	(Cruzeiro)	23025.25	15841.2	9674.47	12686.1
Brunei	(Brunei $)	2.3955	1.648	1.0065	1.3198
Bulgaria	(Lev)	36.636	25.2053	15.3932	20.1851
Burkina Faso	(CFA Fr)	402.25	276.746	169.013	221.625
Burma	(Kyat)	9.8485	6.7757	4.138	5.4261
Burundi	(Burundi Fr)	365.17	251.235	153.433	201.196
Cambodia	(Riel)	2916.0	2006.19	1225.21	1606.61
Cameroon	(CFA Fr)	402.25	276.746	169.013	221.625
Canada	(Canadian $)	1.8405	1.2662	0.7733	1.014
Canary Is	(Sp Peseta)	168.80	116.133	70.9243	93.0027
Cp. Verde	(CV Escudo)	109.77	75.5211	46.1218	60.4793
Cayman Is	(CI $)	1.2395	0.8527	0.5207	0.6829
Cent.Afr. Rep	(CFA Fr)	402.25	276.746	169.013	221.625
Chad	(CFA Fr)	402.25	276.746	169.013	221.625
Chile	(Chilean Peso)	561.75	386.481	236.029	309.504
China	(Renminbi Yuan)	8.7230	6.0013	3.6651	4.806
Colombia	(Col Peso)	1195.0	822.153	502.101	658.402
CIS ‡	(Rouble)	0.8771o	0.6034	0.3685	0.4832
		869.73m	598.369	365.433	479.19
Comoros	(CFA Fr)	402.25	276.746	169.015	221.625
Congo (Brazz)	(CFA Fr)	402.25	276.746	169.015	221.625
Costa Rica	(Colon)	201.80	138.837	84.7899	111.185
Côte d'Ivoire	(CFA Fr)	402.25	276.746	169.013	221.625
Croatia	(Dinar)	1447.30	995.734	608.109	797.41
Cuba	(Cuban Peso)	1.1045	0.7598	0.464	0.6085
Cyprus	(Cyprus £)	0.6932	0.4769	0.2912	0.3819
Czech Rep.	(Koruna)	42.475c	29.2225	17.8466	23.4022
		40.91t	28.1458	17.189	22.5399
Denmark	(Danish Kroner)	9.1675	6.3071	3.8518	5.0509
Djibouti Rep	(Djib Fr)	257.00	176.815	107.983	141.598
Dominica	(E Carrib $)	3.9365	2.7082	1.6539	2.1688
Dominican Rep	(D Peso)	18.9540	15.0402	7.9638	10.4429
Ecuador	(Sucre)	2699.50o	1857.24	1134.24	1487.33
		2697.30s	1855.73	1133.32	1486.12
Egypt	(Egyptian £)	4.8350	3.3264	2.0315	2.6639
El Salvador	(Colon)	12.8450	8.8372	5.397	7.0771
Equat'l Guinea	(CFA Fr)	402.25	276.746	169.013	221.625
Estonia	(Kroon)	19.8960	13.6883	8.3596	10.9619
Ethiopia	(Ethiopian Birr)	7.2195	4.9669	3.0334	3.9776
Falkland Is	(Falk £)	1.00	0.6879	0.4201	0.5509
Faroe Is	(Danish Kroner)	9.1675	6.3071	3.8518	5.0509
Fiji Is	(Fiji $)	2.2985	1.5813	0.9657	1.2663
Finland	(Markka)	8.2575	5.6809	5.4694	4.5494
France	(Fr)	8.0450	5.5349	3.3802	4.4325
Fr. Cty/Africa	(CFA Fr)	402.25	276.746	169.015	221.625
Fr. Guiana	(Local Fr)	8.0450	5.5349	3.3802	4.4325
Fr. Pacific Is	(CFP Fr)	144.75	99.5872	60.8193	79.752
Gabon	(CFA Fr)	402.25	276.746	169.013	221.625

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Gambia	(Dalasi)	12.7445	8.7681	5.3548	7.0217
Germany	(D-Mark)	2.3800	1.6374	1	1.3112
Ghana	(Cedi)	801.90	551.703	336.933	441.818
Gibraltar	(Gib £)	1.00	0.6879	0.4201	0.5509
Greece	(Drachma)	316.85	217.991	133.13	174.573
Greenland	(Danish Krone)	9.1675	6.3071	3.8518	5.0509
Grenada	(E Carr $)	3.9365	2.7082	1.6539	2.1688
Guadaloupe	(Local Fr)	8.0450	5.5349	3.3802	4.4325
Guam	(US $)	1.4535	1	0.6107	0.8008
Guatemala	(Quetzal)	7.7565	5.3364	3.259	4.2735
Guinea	(Fr)	1184.30	814.792	497.605	652.507
Guinea-Bissau	(Peso)	7290.0	5015.48	3063.03	4016.53
Guyana	(Guyanese $)	183.70	126.385	77.1848	101.212
Haiti	(Gourde)	17.4960	12.0371	7.3512	9.6396
Honduras	(Lempira)	8.5585	5.8882	3.596	4.7154
Hong Kong	(HK $)	11.2538	7.7425	4.7284	6.2004
Hungary	(Forint)	121.00	83.2473	50.8403	66.6666
Iceland	(Icelandic Krona)	94.05	64.7058	39.5168	51.8181
India	(Indian Rupee)	42.4275	29.1898	17.8266	23.376
Indonesia	(Rupiah)	3058.10	2103.96	1284.92	1684.9
Iran	(Rial)	2200.0v	1513.59	924.37	1212.12
		98.50o	67.7674	41.3865	54.2699
Iraq	(Iraqi Dinar)	0.5936	0.4083	0.2494	0.327
Irish Rep	(Punt)	0.9750(J)	0.6707	0.4096	0.5371
Israel	(Shekel)	4.0835	2.8094	1.7157	2.2498
Italy	(Lira)	2202.00	1514.96	925.21	1213.22
Jamaica	(Jamaican $)	32.1490	22.1183	13.5079	17.7129
Japan	(Yen)	181.50	124.871	76.3605	100
Jordan	(Jordanian Dinar)	1.0025	0.6897	0.4212	0.5523
Kenya	(Kenya Shilling)	52.65	36.2229	22.1218	29.0082
Kiribati	(Australian $)	2.1555	1.4829	0.9056	1.1876
Korea North	(Won)	3.1345	2.1565	1.317	1.7269
Korea South	(Won)	1171.575	806.037	492.258	645.496
Kuwait	(Kuwaiti Dinar)	0.4486	0.3086	0.1884	0.2471
Laos	(New Kip)	1049.75	722.222	441.071	578.375
Lebanon	(Lebanese £)	2678.70	1842.93	1125.5	1475.87
Lesotho	(Maluti)	4.4858	3.0862	1.8847	2.4715
Liberia	(Liberian $)	1.4535	1	0.6107	0.8008
Libya	(Libyan Dinar)	0.4202	0.289	0.1765	0.2315
Liechtenstein	(Swiss Fr)	*2.2050	1.517	0.9264	1.2148
Luxembourg	(Lux Fr)	49.00	33.7117	20.5882	26.9972
Macao	(Pataca)	11.6470	8.013	4.8936	6.417
Madagascar	(MG Fr)	2653.55	1825.63	1114.94	1462.01
Madeira	(Port Escudo)	214.70	147.712	90.21	118.292
Malawi	(Kwacha)	6.4150	4.4134	2.6953	3.5344
Malaysia	(Ringgit)	3.8158	2.6252	1.6032	2.1023
Maldive Is	(Rufiya)	17.4595	12.012	7.3359	9.6195
Mali Rep	(CFA Fr)	402.25	276.746	169.013	221.625
Malta	(Maltese £)	0.5365	0.3691	0.2254	0.2955
Martinique	(Local Fr)	8.0450	5.5349	3.3802	4.4325
Mauritania	(Ouguiya)	154.548	106.328	64.9361	85.1504
Mauritius	(Maur Rupee)	24.363	16.7616	10.2365	13.4231
Mexico	(Mexican Peso)	4.5145	3.1059	1.8968	2.4873
Miquelon	(Local Fr)	8.0450	5.5349	3.3802	4.4325
Monaco	(French Fr)	8.0450	5.5349	3.3802	4.4325
Mongolia	(Tugrik)	218.70	150.464	91.8907	120.496
Montserrat	(E Carr $)	3.9365	2.7082	1.6539	2.1688
Morocco	(Dirham)	13.05	8.9783	5.4831	7.19
Mozambique	(Metical)	3989.75	2744.93	1676.37	2198.21
Namibia	(S A Rand)	4.4858	3.0862	1.8847	2.4715
Nauru Is	(Australian $)	2.1555	1.4829	0.9056	1.1876
Nepal	(Nepalese Rupee)	67.9865	46.7743	28.5657	37.4581
Netherlands	(Guilder)	2.6775	1.8421	1.125	1.4752
N'nd Antilles	(A/Guilder)	2.61	1.7956	1.0966	1.438
New Zealand	(NZ $)	2.8330	1.949	1.1903	1.5608
Nicaragua	(Gold Cordoba)	8.7480	6.0185	3.6756	4.8198
Niger Rep	(CFA Fr)	402.25	276.746	169.013	221.625
Nigeria	(Naira)	29.8890	20.5634	12.5584	16.4677
Norway	(Nor. Krone)	10.1200	6.9625	4.2521	5.5757
Oman	(Rial Omani)	0.5610	0.3859	0.2357	0.309

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Pakistan	(Pak. Rupee)	37.7750	25.9889	15.8718	20.8126
Panama	(Balboa)	1.4535	1	0.6107	0.8008
Papua New Guinea	(Kina)	1.4450	0.9941	0.6071	0.7961
Paraguay	(Guarani)	2387.45	1642.55	1003.15	1315.4
Peru	(New Sol)	2.62	1.8025	1.1008	1.4435
Philippines	(Peso)	36.025	24.785	15.1365	19.8484
Pitcairn Is	(£ Sterling)	1.00	0.6879	0.4201	0.5509
	(NZ $)	2.8330	1.949	1.1903	1.5608
Poland	(Zloty)	23919.0	16456.1	10050	13178.5
Portugal	(Escudo)	214.70	147.712	90.21	118.292
Puerto Rico	(US $)	1.4535	1	0.6107	0.8008
Qatar	(Riyal)	5.3015	3.6474	2.2275	2.9209
Reunion Is. de la	(F/Fr)	8.0450	5.5349	3.3802	4.4325
Romania	(Leu)	818.83q	563.351	344.046	451.146
Rwanda	(Fr)	221.45	152.356	93.0462	122.011
St Christopher	(E Carr $)	3.9365	2.7082	1.6539	2.1688
St Helena	(£)	1.00	0.6879	0.4201	0.5509
St Lucia	(E Carr $)	3.9365	2.7082	1.6539	2.1688
St Pierre	(French Fr)	8.0450	5.5349	3.3802	4.4325
St Vincent	(E Carr $)	3.9365	2.7082	1.6539	2.1688
San Marino	(Italian Lira)	2202.00	1514.96	925.21	1213.22
Sao Tome	(Dobra)	349.90	240.729	147.017	192.782
Saudi Arabia	(Riyal)	5.4555	3.7533	2.2922	3.0057
Senegal	(CFA Fr)	402.25	276.746	169.013	221.625
Seychelles	(Rupee)	7.5815	5.216	3.1855	4.1771
Sierra Leone	(Leone)	772.75	531.648	324.685	425.758
Singapore	($)	2.3955	1.648	1.0065	1.3198
Slovakia	(Koruna)	42.475c	29.2225	17.8466	23.4022
		40.91t	28.1458	17.189	22.5399
Slovenia	(Tolar)	146.9645	101.111	61.7497	80.9721
Solomon Is	($)	4.3510	2.9934	1.8281	2.3972
Somali Rep	(Shilling)	3819.95	2628.1	1605.02	2104.66
South Africa	(Rand)	4.4858c	3.0862	1.8847	2.4715
		6.9125g	4.7557	2.9044	3.8085
Spain	(Peseta)	168.80	116.133	70.9243	93.0027
Spanish Ports in N Africa	(Sp Peseta)	168.80	116.133	70.9243	93.0027
Sri Lanka	(Rupee)	67.31	46.3089	28.2815	37.0853
Sudan Rep	(Dinar)	14.58	10.0309	6.126	8.033
Surinam	(Guilder)	2.6025	1.7905	1.0934	1.4338
Swaziland	(Lilangeni)	4.4858	3.0862	1.8847	2.4715
Sweden	(Krona)	10.8475	7.463	4.5577	5.9765
Switzerland	(Fr)	2.2050	1.517	0.9264	1.2148
Syria	(£)	30.6180	21.065	12.8647	16.8694
Taiwan	($)	37.075	25.5073	15.5777	20.4269
Tanzania	(Shilling)	478.225	329.016	200.935	263.485
Thailand	(Baht)	37.115	25.5349	15.5945	20.449
Togo Rep	(CFA Fr)	402.25	276.746	169.013	221.625
Tonga Is	(Pa Anga)	2.1555	1.4829	0.9056	1.1876
Trinidad/Tobago	($)	6.1965	4.25	2.6035	3.414
Tunisia	(Dinar)	1.4395	0.9903	0.6048	0.7931
Turkey	(Lira)	13182.40	9069.42	5538.82	7263.03
Turks & Caicos	(US $)	1.4535	1	0.6107	0.8008
Tuvalu	(Australian $)	2.1555	1.4829	0.9056	1.1876
Uganda	(New Shilling)	1757.55	1209.18	738.466	968.347
U A E	(Dirham)	5.3435	3.6762	2.2451	2.944
United Kingdom	(£)	1.00	0.6879	0.4201	0.5509
United States	(US $)	1.4535	1	0.6107	0.8008
Uruguay	(Peso)	5059.25	3480.74	2125.74	2787.47
Vanuatu	(Vatu)	176.08	121.142	73.9831	97.0137
Vatican	(Lira)	2202.00	1514.96	925.21	1213.22
Venezuela	(Bolivar)	118.725	81.6821	49.8844	65.4132
Vietnam	(Dong)	15250.50	10492.3	6407.77	8402.48
Virgin Is-British	(US $)	1.4535	1	0.6107	0.8008
Virgin Is-US	(US $)	1.4535	1	0.6107	0.8008
Western Samoa	(Tala)	3.6835	2.5342	1.5476	2.0294
Yemen (Rep of)	(Rial)	24.0570	16.551	10.1079	13.2545
Yemen (Rep of)	(Dinar)	0.6780	0.4664	0.2848	0.3735
Yugoslavia	(New Dinar)	1093.50	752.322	459.454	602.479
Zaire Rep	(Zaire)	3761538.0	2587917	1580478	2072473
Zambia	(Kwacha)	503.00	346.061	211.345	277.135
Zimbabwe	($)	8.9120	6.1314	3.7445	4.9101

Special Drawing Rights January 29, 1993 United Kingdom £0.919904 United States $1.38188 Germany D Mark 2.20203 Japan Yen172.182
European Currency Unit Rates February 1, 1993 United Kingdom £0.819864 United States $1.19700 Germany D Mark 1.94692 Japan Yen149.446

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar (v) Floating rate; ‡ CIS applies to states in the Rouble Zone. (J) Punt devalued by 10%. Data omitted from 25/1/93. Austria; £17.185 $11.0195 DM7.0071 Y8.9588. Irish Rep: £0.9195 $0.5896 DM0.3749 Y0.4782. Portugal: £220.50 $141.391 DM 89.9082 Y114.694.
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5.
Monday, February 1, 1993

INTERNATIONAL CAPITAL MARKETS

Base rate hopes spark strong recovery in UK gilts

By Sara Webb in London and Patrick Harverson in New York

UK GOVERNMENT bonds rallied strongly yesterday morning following reports in the weekend press that the Bank of England may reduce interest rates by as much as 2 percentage points.

Short-dated gilts outperformed longer-dated issues initially, leading to a steepening of the yield curve.

Dealers said short-dated gilts surged at the start of trading,

GOVERNMENT BONDS

on press reports suggested that the prime minister has a base rate target of 4 per cent in mind. Base rate was cut from 7 per cent to 6 per cent a week ago.

The rally enabled the Bank of England to sell the remainder of its ontstanding tap stocks – a £150m tranche of 2½ per cent index-linked stock due 2009 which was announced after last Wednesday'e gilt auction.

The Bank announced later in the day that a further £750m of stock would be available for sale, consisting of the following amounts: £300m of 9¾ per cent stock due 1998; £200m of 10 per cent stock dne 2001; £100m of 2 per cent index-linked stock dne 1996; and £150m of 2½ per cent index-linked gilts due 2024.

The Liffe gilt futures contract moved from 102.00 at the opening to a high of 102.05, before ending the day at around 102.03. Cash bonds gained around half a point, with the 9¾ per cent gilt due 1998 rising from 111$\frac{1}{32}$ to 111$\frac{17}{32}$.

■ EUROPE'S main government bond markets opened on a note of caution, fearful of further tensions in the European exchange rate mechanism despite the weekend devaluation of the Irish punt.

Frencb government bonds were initially marked down on fears that the French franc could be the next currency to come under pressure in the foreign exchange markets.

However, as the franc firmed slightly against the D-Mark in the course of the day, French bonds rallied. Tbe Matif futures contract, which opened at 112.36, rose strongly to end at 113.14.

Elsewhere in Europe, prices of German government bonds were marked up initially, reflecting expectations that investors would flock towards the safe haven of the D-Mark bloc.

The Liffe bund futures contract, which opened at 93.10, moved to a high of 93.21 but fell back to end the day little changed.

■ HOPES that the Bank of Japan would cut the official discount rate helped to push up Japanese government bond prices yesterday, with the rally continuing ln London trading.

The weak state of the Japanese economy has fuelled hopes of a further 50 to 75 basis point easing in the official discount rate, currently at 3.25 per cent.

The easing speculation pushed rates on three-montb certificates of deposit down to 3.43 per cent yesterday, compared with 3.52 per cent on Friday and 3.70 per cent 10 days ago.

The March futures contract rose from its opening level of 109.53 to close at 109.58 in Tokyo, hut continued to make gains in the London trading session to reach 109.71. In the casb market, the benchmark No 145 issue opened with a yield of 4.315 per cent, and closed at 4.295 per cent, corresponding to the high price of the day.

■ US TREASURIES eased across the maturity range yesterday morning in the wake of a stronger-than-expected purchasing managers' report.

By midday, the benchmark 30-year government bond was down ⅛ at 104$\frac{13}{32}$, yielding 7.221 per cent. At the short end of the market, the two-year note was down $\frac{1}{32}$ at 100$\frac{1}{32}$, to yield 4.184 per cent.

Prices opened slightly lower ahead of the day's main economic number – the National Association of Purchaeing Management's January report. When the NAPM announced that its index of manufacturing activity had risen to 58.0 last month, up from 55.4 in December, prices fell even further – economists had been expecting an NAPM figure of only 56.7.

Although pricee dipped across the board, traders said the selling was not particularly strong, and mostly represented profit-taking.

■ THE benchmark government bond table has been changed to inclnde a different Danish bond issue. From now on, the 8 per cent bond due May 2003 replaces the 9 per cent November 2000 issue. The 8 per cent bond due 2003 is recognised as the new 10-year bencbmark bond.

FT FIXED INTEREST INDICES

	Feb 1	Jan 29	Jan 28	Jan 27	Jan 26	Year ago	High*	Low*
Govt Secs (UK)	95.21	94.76	94.83	94.45	94.46	87.92	95.54	85.11
Fixed Interest	109.94	109.86	109.76	109.50	109.37	100.67	110.28	97.15

Basis 100: Government Securities 15/10/26; Fixed Interest 1928. * for 1992/93. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 110.28 (12/11/92), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	Jan 29	Jan 28	Jan 27	Jan 26	Jan 23
Gilt Edged Bargains	168.6	227.8	169.5	176.9	126.4
5-Day average	173.8	163.1	145.7	136.7	124.6

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	108.7189	-0.348	8.65	8.77	8.98
BELGIUM		8.750	06/02	107.8000	+0.100	7.58	7.63	7.64
CANADA *		8.500	04/02	102.6000	-0.100	8.09	8.09	7.92
DENMARK		8.000	08/02	96.6200	+0.200	8.51	8.42	8.97
FRANCE	BTAN	8.500	03/97	101.5703	+0.376	8.02	7.92	8.02
	OAT	8.500	11/02	104.0900	+0.260	7.88	7.89	8.09
GERMANY		8.000	07/02	106.0100	+0.100	7.10	7.16	7.25
ITALY		12.000	05/02	96.2500	-0.430	13.30†	13.29	13.74
JAPAN	No 119	4.800	06/99	102.9944	+0.335	4.21	4.21	4.46
	No 145	5.500	03/02	107.7976	+1.531	4.31	4.33	4.53
NETHERLANDS		8.250	09/02	107.7300	+0.180	7.09	7.17	7.22
SPAIN		10.300	06/02	91.5000	+0.030	11.82	11.82	12.63
UK GILTS		10.000	11/96	111-01	+15/32	6.63	7.02	7.24
		9.750	05/02	111-12	+12/32	8.04	8.36	8.29
		9.000	10/08	103-20	+12/32	8.36	8.51	8.59
US TREASURY *		6.375	03/02	99-26	+3/32	6.40	6.53	6.64
		7.625	11/22	105-03	+9/32	7.20	7.26	7.88
ECU (French Govt)		8.500	08/02	101.9850	+0.115	8.16	8.07	8.59

London closing, *denotes New York morning session. Yields: Local market standard. † Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.) Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Accounting rules force capital shift at British Land

By Andrew Jack

BRITISH LAND has exchanged one form of complex capital Instrument for another in response to UK Accounting Standards Board proposals which would have threatened to increase the company's borrowings.

The board has told holders of convertible bonds in a subsidiary tbat these will be exchanged for cumulative convertible redeemable preference shares at the end of March at a cost of up to £100,000.

Holders of its 8.625 per cent bonds in British Land Company (Jersey) maturing to 2011 will receive preference shares of £1 each in British Land after 60 days' notice is complete.

Tbe action follows the Accounting Board's December issne of Fred 3, the exposure draft on capital instruments, which states convertible bonds must be classified as debt on the balance sheet.

Mr John Weston Smith, finance director, said the British Land board had always regarded the bonds as equity as they are convertible into shares, and that the exchange would maintain this definition and keep the company's gearing and interest cover low.

Fred 3, in fact, classifies preference shares undar a new category of non-equity shareholders' funds. The company was careful to say it regarded the bonds as "being in the nature of equity capital".

The shares will be issued at a price of £1,000, equivalent to the nominal value of a bond, and redeemable at the same price. The gross dividend will be 8.625 per cent of the redemption, equivalent to tbe grose interest on the bond – or 6.469 per cent net dividend at current tax rates.

Tha company said that shareholders approved the creation of the shares and "appropriate alterations" to the company's articles of association at the last annual meeting.

Spain's government bonds top performance league

By Sara Webb

EUROPE'S higher-yielding governmant bond markets topped the bonds performance league in January, according to figures from J.P. Morgan Securities, helped by the relative stability within the European exchange rate mechanism.

Spain was the top-performing government bond market last month in both local currency and US dollar terms, with a return of 3.29 per cent in pesetas and 3.56 per cent for dollar-based investors. Italy was the second-best performing market in local currency terms with a gain of 2.82 per cent, followed by the Ecu market with a return of 2.46 per cent.

"The higher-yielding European markets… outperformed other government bond markets during January, pointing to the fact that high-yield investment strategies may be coming back into fashion," according to J.P. Morgan.

The Bank of Spain cut its intervention rate from 13.75 per cent to 13.25 per cent in January, helped by the combination of economic weakness and the stability of the peseta.

"In both Italy and Spain, restrictive fiscal policies continue to weigh on economic activity, and Europe's recession has dampened the positive effects on trade position resulting from the recent currency devaluations" (of the peseta and lira), according to J.P. Morgan.

Most of the European central banks lowered interest rates, either through the official interest rate or by indirect market intervention, last month.

The US dollar depreciated against the Canadian dollar and most European currencies, helping to enhance foreign bond returns for US-based investors.

US dollar sector set to pick up with issues worth $1bn expected

By Antonia Sharpe and Tracy Corrigan

A FURTHER batch of Canadian dollar Eurobonds was launched yesterday, following a flood of paper at the end of last week, as borrowers took advantage of swap opportunities.

Activity in the US dollar sector is also set to pick up. Two supranational agencies, the

INTERNATIONAL BONDS

Inter-American Development Bank and the Asian Development Bank, are preparing to launch new issues totalling $1bn.

The IADB took bids last night for a $500m 10-year offering. An IADB spokesman said bids were invited from its four regular arrangers – Salomon Brothers, Goldman Sachs, Merrill Lynch and CSFB – and from three rotating houses – Morgan Stanley, Deutsche Bank and IBJ International. The IADB said it was looking for bids within a yield spread of 20 basis points above the comparable US Treasury.

The IADB plans to borrow $4.4bn in 1993, one-third in dollars, one-third in yen and the rest in European currencies.

The ADB is also expected to raise $500m, but no decision on the maturity of the issue has yet been taken. The issue is expected to emerge later this week or next week.

Meanwhile, last week's heavy supply of Canadian dollar paper has left dealers with some inventory on their books. The distribution of issues by Crédit Foncier de France and the Kingdom of Denmark was proceeding rather slowly, syndicate managers said.

However, the World Bank's C$250m 10-year Eurobond, launched yesterday, met firm demand, despite a rather aggressive pricing to yield just 22 basis points over comparable Canadian government bonds.

Dealers reported strong demand from Asia and North America, mainly because of the World Bank's pedigree. The deal also had some rarity value, since it is the World Bank's first Canadian dollar offering since 1990. The spread on the World Bank Eurobond tightened slightly to 20 basis points once the syndicate was broken.

Meanwhile, the development of the collared floating-rate note structure in the sterling market has caught the attention of UK building societies. After the first such issue, a £100m three-year deal for the Leeds Permanent, via Salomon Brothers last Thursday, a second £100m deal for Bradford & Bingley via NatWest Capital Markets followed on Friday.

The collared structure incorporates a minimum interest rate (floor) and a maximum interest rate (cap), and has become a viable instrument in the sterling market since the latest base cut to 6 per cent last Tuesday.

Yesterday, the Halifax Building Society launched a £100m 10-year issue of floating-rate notes which pay interest at ⅛ point below the London inter-bank offered rate, with a minimum coupon of 7 per cent and a maximum of 10¾ per cent.

● Save & Prosper, the fund management group, yesterday launched the China Dragon Fund, its first authorised unit trust to invest directly in mainland China.

The unit trust will invest up to 10 per cent of the funds in Chinese listed "B" shares and unquoted Chinese investments. The remainder of the funds will be invested in Hong Kong-based companies with a strong exposure to mainland China, S&P said.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Spintab(a)‡	300	(a)	99.25	Oct.1998	0.375/0.125	Morgan Stanley Int.
FRENCH FRANCS						
La Poste	1.5bn	8	98.21	Feb.2003	0.325	Société Générale
STERLING						
Halifax Building Society(b)‡	100	(b)	100	Feb.2003	0.5/0.25	Salomon Brothers Int.
CANADIAN DOLLARS						
World Bank	250	8.25	100.861	Mar.2003	2/1.625	Salomon Brothers Int.
AUSTRALIAN DOLLARS						
GG Securities	100	9.25	101	Mar.2003	2.125/1.375	Hambros Bank
ITALIAN LIRA						
Deutsche Bk.Finance Curaçao	200bn	11.75	101.55	Feb.1996	1.875/1.25	BAI Milan

Final terms and non-callable unless stated. ‡Floating rate note. a) Coupon pays 3-month Libor + 0.625%. Callable at par from Apr.1995. b) Coupon pays 6-month Libor - 0.0625%; minimum 7%, maximum 10.75%.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:05 pm on February 1

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]					

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]					

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]					

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
[illegible]				

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]					

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
[illegible]					

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]					

* No information available - previous day's price. † Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month above mean rate) for US dollars. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	74	1	2
Other Fixed Interest	3	3	9
Commercial, Industrial	602	131	689
Financial & Property	441	31	327
Oil & Gas	42	6	37
Plantations	2	1	6
Mines	62	10	69
Others	75	2	30
Totals	1,301	185	1,169

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+or-	Net Div.	Times Covd.	Gross Yield	P/E Ratio
[illegible]											

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price £	+or-
[illegible]							

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+or-
[illegible]							

TRADITIONAL OPTIONS

● First Dealings Jan. 25
● Last Dealings Feb. 12
● Last Declarations May 6
● For settlement May 17

3-month call rate indications are shown in Saturday editions.

Calls in Aran Energy, Asda, Brent Walker 3rd Pref., British Aerospace, Babcock Intl., BM Group, Burlington, Caverdale, City Centre Rests., Emess, Goldsmiths, Hanson warrants, Mowlem, Norex, Premier Cons., A. Proudfoot, Ransomes, Relyon, Tadpole Tech., Trio warrants and Tullow Oil. Puts in ADT, Relyon and Tullow Oil. Doubles in Emess and Premier Cons.

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

Option		Calls			Puts		
[illegible]							

FT-ACTUARIES FIXED INTEREST INDICES

	PRICE INDICES	Mon Feb 1	Day's change %	Fri Jan 29	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (23)	128.79	+0.36	128.33	1.08	1.67
2	5-15 years (23)	147.23	+0.36	146.94	1.78	1.81
3	Over 15 years (8)	152.64	+0.27	152.47	1.33	1.28
4	Irredeemables (6)	172.61	+0.42	171.88	2.52	0.68
5	All stocks (60)	143.21	+0.36	142.86	1.49	1.56
	Index-Linked					
6	Up to 5 years (2)	185.88	+0.16	185.58	1.30	0.00
7	Over 5 years (11)	168.31	+0.36	167.71	0.61	0.62
8	All stocks (13)	169.48	+0.34	168.91	0.68	0.55
9	Debs & Loans (62)	125.52	+0.03	125.49	2.89	0.26

	AVERAGE GROSS REDEMPTION YIELDS	Mon Feb 1	Fri Jan 29	Year ago (approx.)
	British Government			
1	Low Coupons 5 years	[illegible]		
2	15 years	[illegible]		
3	20 years	[illegible]		
4	Medium Coupons 5 years	[illegible]		
5	15 years	[illegible]		
6	20 years	[illegible]		
7	High Coupons 5 years	[illegible]		
8	15 years	[illegible]		
9	20 years	[illegible]		
10	Irredeemables (Flat Yield)	[illegible]		
	Index-Linked			
11	Inflation rate 5% Up to 5yrs	[illegible]		
12	Inflation rate 5% Over 5 yrs	[illegible]		
13	Inflation rate 10% Up to 5 yrs	[illegible]		
14	Inflation rate 10% Over 5 yrs	[illegible]		
15	Debs & Loans 5 years	[illegible]		
16	15 years	[illegible]		
17	25 years	[illegible]		

Corrected yields for January 27 and 28 can be obtained by telephoning FT Statistics on 071-873 3847.

Profits expected to rise 19% to at least £55m

Iceland Foods to move into Littlewoods outlets

By Peggy Hollinger

SHARES IN Iceland Frozen Foods jumped 21p to 668p as the high street food retailer announced a £27.5m placing to fund its move into Littlewoods outlets and forecast a 19 per cent rise in annual profits to at least £55m.

Mr Malcolm Walker, chairman, said the move into Littlewoods reinforced Iceland's recent transformation from freezer centre to high street food retailer. "Frozen food has become more about convenience food than bulk buying," Mr Walker said.

Analysts were encouraged by the Littlewoods deal which is expected to add £100m to sales in a full year.

Many upgraded their forecasts for 1993 from about £63m to more than £66m.

"Any deal that represents one year's organic growth and is done without any cost to the balance sheet has to be applauded," said Mr David Shriver of County NatWest.

Iceland has agreed to take over the foodhalls in 48 of Littlewoods 127 stores, with an average floor space of 4,100 sq ft. The food group will only pay a rent based on the turnover it achieves in those stores.

However, it will have to re-equip the food halls, at a cost expected to be about £20m. This would be funded by the placing, which has been underwritten by NM Rothschild & Sons.

Mr Walker said Iceland had decided a placing was the most prudent option, in light of the group's decision to keep gearing at less than 50 per cent. "It gives us a little comfort factor," he said.

Investors were offered 4.3m new Iceland shares at 640p, representing about 4 per cent of the existing equity. The deal is not expected to be dilutive.

Iceland also announced that it would increase its target of store openings for the current year from 50 to 60, for a total of about 680, including the Littlewoods outlets. The increased openings would also be funded with placing proceeds.

The group's aggressive expansion programme was announced amid forecasts of record turnover of £1.04bn for the 53 weeks to January 2, against £889m.

On a like-for-like basis, Iceland saw a 10 per cent increase in sales, while food inflation was estimated to have been just 2 per cent. Mr Walker said the increase in sales was primarily due to more customers walking through the door. Individual transactions were roughly similar at about £7.50.

Chilled foods provided the group's greatest growth in 1992, increasing an estimated 25 per cent year on year. Frozen food accounted for just over 50 per cent of sales, while basic groceries represented 22 per cent of turnover.

The final dividend is forecast to rise by 18 per cent to 6.9p for a total of 10p. This compares with a total of 8.5p last time. Earnings per share are estimated to be not less than 41.2p, a rise of 19 per cent. On a fully-diluted basis the increase is 17 per cent to 37.5p.

Recovery at Marine Midland

By Alan Friedman in New York

MARINE MIDLAND Banks, Hongkong and Shanghai Bank's US subsidiary, reported a substantial recovery from losses for both its 1992 fourth quarter and its results for the full-year.

The New York-based bank, which has $17.1bn (£11.3bn) in assets, said net profits in the fourth quarter were $35.7m, compared to losses of $23.8m in the last quarter of 1991.

For the whole of 1992, net profits were $109.2m, a significant turnround from losses of $189.9m for 1991.

Mr James Cleave, president and chief executive, said this was the first time Marine Midland had returned to profit for three years. He said 1992 was a benchmark year in the bank's recovery and pledged to continue to focus on controlling expenses, especially in light of the soft New York state regional economy.

Fourth quarter operating expenses were $241.4m, up slightly from $238.3m in the same period of 1991. The bank's revenues in the quarter were $283.3m, against $258.6m a year earlier.

Bad debt provisions amounted to $3.4m in the fourth quarter, down sharply from $41m. Provisions for the whole year were $73.2m, down from $230m in 1991.

The bank ended 1992 with a Tier One risk-weighted capital ratio of 9.12 per cent. The return on assets rose to 0.66 per cent in 1992, against a loss on assets of 1.06 per cent in 1991.

United Distillers sells 70 spirit brands in the US

By Philip Rawstorne

UNITED DISTILLERS, the spirits division of Guinness, has sold 70 regional spirits brands in the US to Heaven Hill Distilleries, America's largest independent family-owned spirits company.

The terms of the sale were not disclosed.

Mr Crispin Davis, managing director of United, said yesterday that the deal formed part of the group's reorganisation strategy in the US, following the acquisition of Glenmore Distilleries in 1991 and its merger last year with Schenley Industries.

"By transferring ownership of these regional brands – which are in the lower price range – to Heaven Hill, we have substantially rationalised our brand portfolio in the US and can continue to concentrate on developing our core brands in the spirits market," he said.

The "non-strategic" brands sold to Heaven Hill include JW Dant, Ezra Brooks and Yellowstone bourbons, Philadelphia and Guckenheimer blended whiskies, Boord's vodka and gin, and Coronet US brandy.

Wentworth deals resumed

Trading in the shares of Wentworth International was restored yesterday, following the publication of its report and accounts for the year to March 31 1992.

The shares of this USM-quoted plastic packaging group were suspended on October 20 at 3p, pending the delayed results, which showed losses of £4.05m, against restated profits of £63,000. In December the group announced pre-tax losses totalling £1.82m for the six months to September 30.

Blick buys contracts

Blick has agreed to pay £2.13m for a portfolio of rental and maintenance contracts. The vendor is Cheshire Communications.

Total unexpired gross contracted rental income from the contracts is more than £5.4m.

This will be earned over the next 14 years.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Bullough ....fin	4.3	Apr 1	4.3	6.05	6.05
CRT ....int	0.65	June 22	0.575	-	2.4
Ewart ....int	nil	-	0.25	-	0.75
Fleming American....fin	0.35	Apr 6	0.75	0.7	1.25
Haynes Publ'ing ......int	3.5	Apr 30	2.5	-	6

Dividends shown pence per share net except where otherwise stated.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Price for Trading on 02.02.93 / Final Prices for Trading on 03.01.93

1/2 hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.65	19.10	19.10
0100	23.88	20.56	21.96
0130	27.95	28.79	28.34
0200	27.95	28.70	28.29
0230	23.00	19.10	19.10
0300	23.00	19.10	19.10
0330	21.80	18.25	18.25
0400	18.88	17.58	17.56
0430	18.38	17.51	17.51
0500	18.38	17.51	17.61
0530	18.27	17.62	17.53
0600	18.27	17.52	17.52
0630	18.65	17.56	17.56
0700	21.82	19.10	19.10
0730	22.93	21.87	23.31
0800	23.38	24.67	25.19
0830	23.38	24.56	26.04
0900	23.38	24.67	26.15
0930	30.57	24.67	26.16
1000	30.57	24.67	26.15
1030	30.57	24.55	26.03
1100	30.56	24.67	26.10
1130	28.73	24.68	26.16
1200	28.79	24.68	26.10
1230	28.76	24.68	26.15
1300	28.64	24.88	26.15
1330	23.38	24.67	26.16
1400	23.38	24.67	26.16
1430	23.38	20.50	20.50
1500	19.31	19.75	19.75
1530	19.31	23.72	23.72
1600	23.38	25.48	27.08
1630	23.67	33.38	36.58
1700	34.97	47.61	53.24
1730	36.47	48.36	52.79
1800	38.38	42.58	46.12
1830	33.22	27.41	29.16
1900	28.73	26.24	27.72
1930	23.84	26.10	27.58
2000	23.20	23.21	24.01
2030	22.47	22.00	23.38
2100	22.23	21.87	23.26
2130	21.82	20.88	22.25
2200	21.82	20.53	21.89
2230	18.88	19.10	19.10
2300	18.27	17.58	17.56
2330	17.65	17.50	17.50
2400	17.82	17.46	17.46

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.65/MWh becomes 1.865p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-45[illegible] between 8.30am and 5.15pm Monday to Friday.

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Medicine can come in many forms

Jane Fuller considers whether the doubts concerning company doctors are justified

Company doctor line-up: Roy Barber (left), now at Bimec Industries; Sir Lewis Robertson, enjoying some success at Stakis after the demise of Lilley; David James, concentrating on the heavily indebted Lep Group after pleasing the banks at Davies & Newman.

WITH 80,000 companies going bust last year and another 80,000 forecast to do so this year, it is a bad time for doubt to be creeping in about the efficacy of company doctors.

These professionals are brought in short-term to carry out the financially essential – but difficult and unpleasant – tasks that the previous management either shrank from or were ill suited to doing.

They close factories, axe staff, sell businesses and assets. They keep open bank credit lines with one hand and tease new money out of institutional investors with the other. If they succeed, they hand over the stabilised company to new long-term managers.

But the view has gained currency that this recession is proving a bad one for an elite group of high profile and highly paid company doctors.

Sir Lewis Robertson recently lost Lilley, the Glasgow-based contracting and construction group, to receivership. In a long career, it was the first of his seven rescues to fail and can be contrasted with cases from the last recession, such as Triplex Lloyd, which are now healthy.

Mr Roy Barber saw Astra Holdings, the defence company under investigation by the DTI, go into receivership. Shareholders in Davies & Newman, under Mr David James's care for two years, were left with nothing when it was wound up after Dan-Air, its airline subsidiary was sold last year for £1 to British Airways.

It is easy to see why the longest recession since the Second World War has provided a hostile environment for corporate rescues. "It is a difficult time to sell property and non-core subsidiaries, and more difficult to turn round what remains," Mr Barber says.

Mr Trevor Swete, managing director of Postern, a corporate rescue firm, says: "By definition company doctors are on a tight wire. All their charges have severe financial difficulties and one or two of those wires will break."

The focus on well publicised failures runs the risk of devaluing the role outsiders can play in saving companies. This is the message of two recent studies by firms of accountants.

In one, the insolvency arm of Coopers & Lybrand, formerly known as Cork Gully, called for the reform of the 1986 Insolvency Act to foster a "rescue culture".

In the other, Grant Thornton warned that many businesses risked insolvency because they were not ready to cope with the end of recession, in particular the need to seek extra finance. One of Grant Thornton's criticisms was that companies showed a reluctance to seek the help of professional advisers.

The implication of both studies is that there is a clear need for company doctoring in all its forms.

Leaving aside the up-market end of the profession – Mr James's latest fees, for instance, are £35,000 a month (partly for office overheads) – a great deal of remedial work is already being carried out by people who would not describe themselves as company doctors.

One of the big lending banks says that only four or five of the 130-plus "live work-outs" in its intensive care unit are in the hands of company doctors.

The preferred route is to get the changes implemented by the existing management, albeit with the banks wielding the big stick. "They often come to accept that if they don't do what we want, they won't have a future, because we won't put more money in," says the banker.

If a revamping of management is necessary, the new-comer(s) will not generally be a short-term company doctor but long-term executives, typically a new chief executive and/or finance director.

There are several examples of fresh management being recruited from companies in the same sector – Mr Archie Norman (ex-Kingfisher) at Asda, the supermarkets group, for instance.

Another option is to bring on to the board a director with a reputation for pushing through changes such as Mr Michael Beckett, whose charges have included Tace and Ultramar. He describes himself as a "very independent" non-executive director who is called upon "to clean up the boards. In 1991 I got rid of 27 directors".

Even insolvency practitioners do more work related to company rescues than receiverships, according to Mr Steve Hill, an insolvency partner at Coopers & Lybrand.

But whatever hopes are raised by the new people or the new approaches, serious limitations remain.

Some patients will be lost. Mr Swete points out that most company doctoring does not start until a banking covenant has been breached, putting the banks in the driving seat.

"Generally the banks bring in a company doctor and in this situation the shareholders have lost an effective voice," says Mr Paul Myners, chairman of Gartmore Investment Management.

Perhaps the lesson is that shareholders should act earlier. One institutional investor says the best safeguard against a business becoming company-doctor material lies in a properly constituted board. But he adds that this is a "counsel of perfection".

More commonly, shareholders appear slow to act – other than by selling out quietly. They shy away from getting together to call for change until "disaster is at hand". Even if the patient survives the initial financial trauma, a company has to have orders, sales and cash flow to service its debt and pay other creditors. In other words, many of the walking wounded are awaiting economic recovery.

Mr Eugene Anderson, who was brought in to restructure Ferranti International, the electronics and defence group, in 1990 after a huge fraud was discovered, said recently it needed orders to generate cash. "We have bids out for about £400m of business. If we win only £100m, that would totally transform us. We're at a very critical stage."

Finally, it is worth pointing to the successes as well as the failures of company doctors, although it can take years to tell whether the medicine has really worked. Last week Stakis, with Sir Lewis Robertson as chairman and an industry man, Mr David Michels (ex-Hilton International) as chief executive, announced a £28m rights issue and the £50m sale of its nursing homes division.

On a less public level, survival tips are being offered daily to debt-strapped businesses by a raft of advisers. Mr Swete gives the example of a company which had found a buyer for an asset, but was advised to spread out the payments to avoid the risk of the bank taking the money and pulling the plug.

In contrast to the priorities of a bank-appointed receiver, a company doctor's "primary duty is to the company; the secondary one, to whom ever brought him in," Mr Swete adds.

The real world dictates, however, that if the interest of the company diverges too much from that of the bank, it will not succeed.

Banks claim that they are not trigger happy when it comes to calling in receivers. The head of one intensive care unit says that over the past two years only a third of the companies in that unit have gone bust.

The motives are not altruistic. "It is a simple economic truth that businesses are worth more intact, without taint of insolvency," says Mr Hill.

To avoid that taint, the more company doctoring that goes on, and the earlier advice is sought, the smaller the final bankruptcy toll of this recession will be.

South West Water launches £35m bond

By Angus Foster

SOUTH WEST Water yesterday announced a £35m bond issue, becoming the second water services company in a week to launch a fund raising.

Most of the money raised through the private placement will be used to pay for Haul-Waste, the waste management business acquired last month from English China Clays. Of the £27.5m purchase price, £25m is due on completion, expected within a week.

The bond issue, which is redeemable in 1998 and bears interest at 8.375 per cent, follows last week's £144.5m rights issue and other fund raising from Wessex Water. Wessex will use £113m of the money to buy Waste Management Ltd from NFC, the transport and logistics group.

South West holds net cash of about £80m but decided against using the money, most of which is in short term investments, because it is earning reasonably high rates of interest. South West, which has one of the highest capital expenditure plans among water companies, is likely to become a net borrower by the end of its financial year on March 31.

Mr Ken Hill, finance director, said Haul-Waste would become South West's main waste subsidiary.

CRT shares fall on profits setback

By Peter Pearse

PRE-TAX profits at CRT, which stands for consultancy, recruitment and training, its areas of activity, declined from £2.61m to £689,000 in the six months to October 31. The shares fell from 100p to 88p.

Mr Karl Chapman, chief executive, said the group had been "on the back foot" in the period following £30m-worth of acquisitions in three years. CRT was "now back on the front foot" after the restructuring, reorganisation of the business and the acquisition of the 160-strong Wetherby Training Services chain and Convergent Communications, bought in May for a total £1.74m.

The group said it saw "the next 18 months positively" and lifted the interim dividend to 0.65p (0.575p). Earnings emerged at 0.91p (3.47p).

Mr Chapman ascribed the profits decline to a poor performance from Doctus, the consultancy side, and the "substantially increased second-half weighting of the training division's profits", adding that a large proportion of the full-year's £5.4m investment in the group, taken through the profit and loss account, was spent in the first half.

Mr Barrie Clark, finance director, said the investment was a "prerequisite for the future", reckoning that within the next two years various "standards and kitemarks" could be obligatory. Both this and CRT's growing use of expensive software in its 12 Pitman Training Centres would help rationalise a "fragmented and underdeveloped" industry.

The pre-tax outcome was knocked back by reorganisation costs of £629,000. More than 100 of CRT's 1,000 workforce were made redundant – mainly in consultancy, where the French operation was closed, and recruitment, where five offices were closed.

Mr Chapman said the Wetherby acquisition allowed CRT to distribute the group's Pitman training – franchising the brand is currently being piloted.

BOC in £48m drug deal with Du Pont

By Paul Abrahams

BOC, the healthcare and industrial gases group, yesterday announced it had purchased the Brevibloc European and North American operations of Du Pont Merck Pharmaceutical for $72.5m (£48m).

Brevibloc is a drug used in operating theatres to control heart rate and blood pressure.

The product will be marketed by Anaquest, BOC's pharmaceuticals division which specialises in products aimed at anaesthetists.

The business, which last year generated sales of $15m, has been growing at more than 20 per cent a year, according to BOC.

The group said it hoped to be able to use its specialist marketing force to boost Brevibloc's sales. Mr Roger Stoll, president of BOC Health Care, said the drug complemented its current portfolio of anaesthetic and acute care drugs.

Du Pont Merck is retaining the product rights in markets outside North America and Europe.

Mr Joseph Mollica, president of Du Pont Merck Pharmaceutical, said: "Brevibloc no longer fits in our core business strategy that focuses on the office-based physician market-place."

The move is part of BOC's efforts to boost its healthcare operations which increased sales by 4.2 per cent to £512m last year.

BOC needs to lift its US revenues following the expiry at the end of last month of the American patents for Forane, its anaesthetic.

Anaesthetics represent about 60 per cent of the group's health-related profits, according to Kleinwort Benson.

Bullough declines by 60% to £8.5m

By Paul Taylor

BULLOUGH, the office products and refrigeration group which issued a profits warning in December, yesterday reported a 59 per cent decline in full year profits but is maintaining its dividend despite taking "a heavy knock" in its French office furniture business.

After allowing for restructuring costs of £3.32m, pre-tax profits in the year to October 31 fell to £8.54m from £20.8m in the previous year when the outcome was boosted by £994,000 of exceptional items.

Mr Robert Steel, managing director, blamed the £12.3m profits decline on operating losses and restructuring costs in the office products division.

Turnover slipped by 5 per cent to £276.9m (£292.6m); earnings per share fell to 4.45p (11.55p).

As expected the final dividend is being maintained at 4.3p making an unchanged total for the year of 6.05p.

Turnover in the core office products division fell 12 per cent to £104.4m (£118.8m) and a £7.82m operating profit turned into a £736,000 loss. Losses in Atal, the French office furniture company acquired four years ago, accounted for £5.8m of the decline.

Mr Steel said Atal had had an appalling year because of falling demand and pressure on margins. Last autumn a new management team was installed and has introduced a £2.4m restructuring programme including accelerated job cuts.

Among the group's other businesses, seven of the eight small companies in the engineering division increased sales and six increased profits. Overall the division lifted operating profits to £2.97m (£2.6m) on turnover which grew to £33.7m (£31.2m).

Net borrowings at the end of October stood at £15.3m (£7.8m), representing 17 per cent (9 per cent) of shareholders funds.

Looking ahead, Mr Derrick Battle, chairman, said the order book was slightly ahead of last year and noted that the avoidance of the heavy losses in the French office furniture business "should lead to a useful recovery in our overall profitability."

Tony Andrews

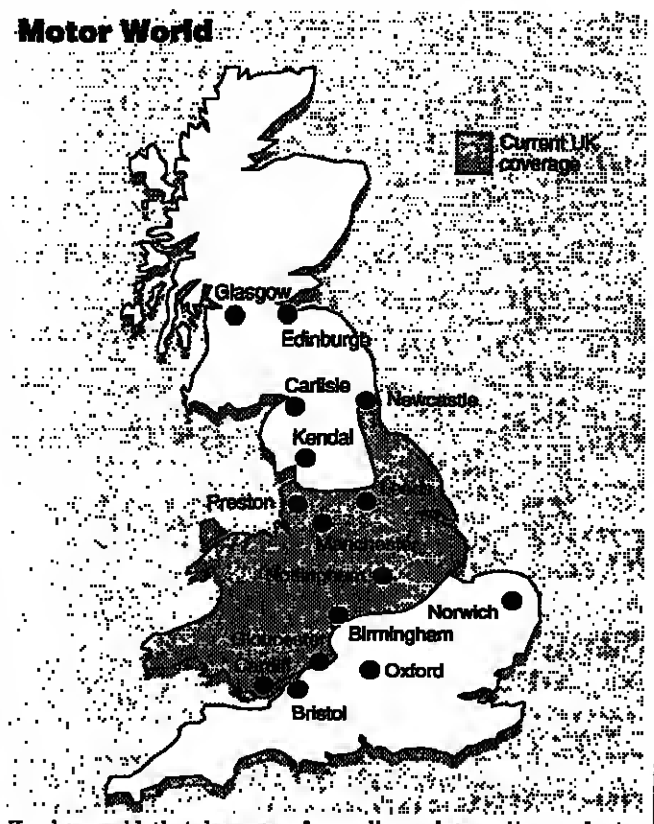
Derrick Battle, left, and Robert Steel: looking for recovery

● COMMENT

The problems at Atal, which was acquired for some £19m in September 1988, should probably have been dealt with earlier and more firmly. But since last autumn a more robust approach to problems at Atal has been adopted and another 200 jobs have been cut. The absence of losses and restructuring costs alone should be sufficient to boost group profits significantly this year, providing there are no other nasty surprises. Cash deposits of £13.2m should be sufficient for any small "fill-in" acquisitions without straining the balance sheet. Meanwhile, maintaining the dividend has helped calm investor nerves and since December the shares have begun to climb again. This is a recovery stock with foreign exposure. With pre-tax profits expected to rebound to £14m or £15m this year, producing earnings of between 7.2p and 7.8p per share, the stock is trading on a prospective p/e of about 14.7. Accepting the risks, the shares are a buy.

A distinctive formula for success

Andrew Bolger on expanding Motor World and plans for its market debut



MOTOR WORLD, the UK's biggest independent chain of stores selling car parts and accessories, is to be launched on the stock market with a value of about £28m.

The Bradford-based group will raise £12.5m by selling shares, at a price to be announced on Thursday, through a placing fully underwritten by Beeson Gregory, its stockbroker.

Motor World has 178 outlets, mainly in the north of England, Wales and the Midlands, and plans to build a national network for its distinctive formula.

Unlike Halfords, the market leader, Motor World eschews prime high street sites and large out-of-town "sheds". Its stores offer seven-day trading in cheaper locations away from the high street, usually on busy main roads with parking facilities.

Each outlet carries about 4,000 items and also offers a 24-hour order service for parts and accessories not in stock. Staff are trained to advise customers on what to buy and the shops stock Haynes Manuals for 150 types of car, to encourage DIY maintenance.

Mr Darrell Kershaw, managing director, believes the chain could expand to 300 outlets within two years, with depressed property prices and acquisition opportunities giving it an ideal chance to move into the south-east of England and Scotland.

Motor World has lifted profits at an annual rate of 30 per cent over the past three years and made operating profits of £3.51m on turnover of £34.5m in the 12 months to November.

The group has four divisions – retail, distribution, packaging and manufacturing – all aimed at the motor market.

In 1988 Mr Kershaw led an £8m management buy-out, backed by Candover Investments, of Motor World from Mr Michael Stanford, who started the business in 1968 and steadily expanded it, augmented by acquisitions of small chains of shops from receivers.

The MBO team acquired 101 Motor World outlets and Panther, a business established in 1982 which buys car parts and accessories in bulk to package and distribute, either under the Panther name or the brand label of retailing and wholesale customers.

In 1989 Motor World decided to get into the fast-fit exhaust market. It paid £5m for Autogem Holdings, which had six exhaust-fitting service centres, and its two related manufacturing subsidiaries, Genex and KRC, which make metal pressing and rubber mouldings.

Although the Autogem exhaust-fitting centres were profitable and remain so, Mr Kershaw said he quickly recognised that opening this type of outlet was much more expensive than the modest outlay required for a typical Motor World shop.

Instead, Autogem has been developed as the UK's largest supplier of exhaust system supports to fast-fit retailers such as Kwik-Fit and Superdrive. A warehouse/distribution centre just off the M1/M62 carries 6,000 product lines, offers next-day delivery service throughout Britain, and serves many export markets. Autogem's products are sold to smaller garages and workshops through Motopax, a separate trading division.

Motor World's main business is, however, the retail outlets, which in the year to November accounted for 72 per cent of sales and 64 per cent of group operating profit. Building a national chain is the group's key priority.

Mr Kershaw, a hard-headed Yorkshireman who trained as a motor mechanic, said his warehouse at Bradford could service 300 shops, and had land adjoining if more space was needed. But all Motor World stores must make a profit.

He said: "I'm just as proud to close a shop, as to open one. We give every shop 12 to 18 months and then if, in spite of our best efforts, it is not making a profit, we close it."

Although Motor World has closed 30 outlets over the years, the group only has one unlet unit on its books. Mr Kershaw said that because of the modest size and convenience of the sites, the group had found it easy to sub-let premises to other shopkeepers when necessary.

The group, which employs 877 people, believes that benefits of scale in buying and distribution will give it an advantage over small independent stores, which are its main competition.

As well as expanding organically and by acquisition, Mr Kershaw aims to increase the amount spent by individual customer by stocking more expensive items, such as audio and security products. Last year the group paid £380,000 for Eurocar, a company with two outlets in West Yorkshire which supplies in-car entertainment and security systems.

Once again, the canniness which has seen Motor World raise profits through recession is to the fore. Although 60 group stores now sell audio products, Mr Kershaw is still testing the economics of Eurocar's service of fitting systems at customers' homes and offices in West Yorkshire, before deciding whether to offer it across the chain.

Delaney rid of loss divisions

DELANEY GROUP has been left with its Christies Panel Products fitted bedroom retailer following its shopfitting division going into receivership and the sale of its furniture division.

The directors believed that without its loss making businesses Delaney could begin to advance again.

The shares, which were suspended last Thursday pending the announcement, fell 1p to 8p when dealings were resumed.

Melton Medes, which holds 12 per cent of Delaney, has made a loan of £800,000 repayable at the end of this year and secured on the shares of Christies.

Delaney called in the receiver following the collapse of negotiations for the sale of companies in the shopfitting division – Display and Shop Equipment, Lawn Shopfitters, Halon Electrical Contractors, Northgate Aluminium Systems and Multiflex (MSC).

At the same time Stanley Wood and Traditional Furniture Stores, which made up the furniture division, were sold to Mark Billings for £4. The resulting write off was estimated at £1.15m.

The shopfitting division was blamed for many of Delaney's problems. The furniture division reported pre-tax losses of £780,000 on sales of £2.23m in the 11 months to November 30.

Lower interest costs boost Haynes

By Peggy Hollinger

LOWER INTEREST charges helped Haynes Publishing Group, which produces car and motorcycle maintenance manuals, jump by 34 per cent at the pre-tax level to £1.5m for the six months to November 30, compared with £1.13m.

Mr Max Pearce, chief executive, said the result had been achieved "with no help from either the US or UK economies". Sales were ahead less than 2 per cent at £11.1m.

There was a sharp reduction in debt from £1.3m at the end of the last financial year to £156,000 at the interim stage. Net interest charges fell from £240,000 to £86,000. Mr Pearce said the group expected to be cash positive by the end of the current year.

Haynes aimed to build a cash pile for expansion into Europe, developing manuals for alternative markets such as home security and, in the longer term, for acquisitions.

The interim dividend goes up 1p to 3.5p, payable from earnings per share up 33 per cent to 9.05p. The shares advanced by 15p to 288p.

Meanwhile, costs were being controlled through a redundancy programme which resulted in £293,000 (£453,000) exceptional charges in the UK. About 10 per cent of the 200-plus jobs would be cut by the end of the year. A further £100,000 charge was expected in the second half.

Trading continued to be most difficult in the UK, which was hampered by losses of some £250,000 from general publishing. Mr Pearce said these losses – which were £1.2m for the whole of last year – would total about £500,000 for the year.

Operating profits in the UK, after exceptionals, were £830,000, compared with £619,000.

In the US, Haynes recorded an 8 per cent increase in operating profits from £1.14m to £1.23m, with sales for the Chevy Pick-Up manual outstripping all others. Mr Pearce said the group had a 50 per cent share of the US market.

Debenture holders approve L&P plan

By Richard Waters

LONDON & PROVINCIAL, the troubled property group, yesterday won approval for its plan to repay £135m of debentures at less than their face value, the first time in recent memory that holders of secured bonds have accepted such a loss.

At a meeting called for the purpose, holders of 92 per cent of the bonds by value agreed to accept the company's offer of £95 for every £100 of stock held.

They will also receive accrued interest amounting to 430p for every £100 of stock.

The overwhelming support for the offer, with none of the 67 bond holders voting against, reflected a general belief that the offer was generous in the circumstances.

Property securing the bonds has halved in value since the summer of 1990, and the company warned investors at the end of last year that it would not be able to meet interest payments.

Citibank, banker to the Randsworth group, the parent of London & Provincial which is in receivership, has provided the cash to repay bond holders, the company said.

The deal will increase the bank's exposure in the group as a whole by £109m to some £333m.

At the beginning of January, Citibank announced its intention to make an offer for the property group's shares through an investment subsidiary, though no bid has yet been made.

Exceptionals push Ewart into losses

EXCEPTIONAL costs involved in fighting off Monarch Properties put Ewart £260,000 into the red for the six months ended October 31; the interim dividend is passed.

From turnover of £1.94m (£1.79m) this Northern Ireland-based property developer made an operating profit of £20,000 (£104,000).

Exceptionals of £279,000 represented the cost of an extraordinary meeting.

That was called by Mr Philip Monahan, chairman of Monarch, a private company based in the Republic, in an attempt to oust members of the board and replace them with two of his own nominees, "with a view to radically re-defining the strategic direction of Ewart."

After its narrow defeat Monarch's 29.2 per cent holding was acquired by Patternbread Establishment, which "is positively committed to the further growth of Ewart and supportive of the strategy pursued by the board", said Mr Derek Tughan, chairman of Ewart.

He said the reduction in operating profit was entirely the result of increased interest charges, stemming from the financing of recent investment acquisitions and the inclusion of interest relating to the shopping centre development at Ross's Court, now completed.

Prospects for the Laganbank development received a boost with confirmation of government backing for the project.

Losses per share were 1.39p, against earnings of 0.44p from which an interim dividend of 0.25p was paid.

NEWS DIGEST

Hoskins poised for acquisition

HOSKINS BREWERY, the USM-traded Leicester-based real ale brewer, said yesterday that it was "at an advanced stage of negotiations which may or may not lead to a substantial acquisition".

Directors made the announcement "in the light of the movement in the share price last week". The shares firmed 1p to 40p yesterday.

Hoskins, one of the UK's smallest quoted brewing groups, entered the limelight late last year after attempts by dissident shareholders to oust Mr Barrie Hoar as chairman and his brother Robert as a director were easily defeated at an extraordinary meeting.

At the time, Mr Barrie Hoar said: "A great deal of time and money has been spent which will be hard to recoup in these difficult business conditions."

Welsh Industrial net assets downturn

Net asset value of the Welsh Industrial Investment Trust stood at 131.19p at October 5 1992. That compared with 141p at the April 5 year-end and with 151.6p 12 months earlier.

Available revenue for the six months to October 5 fell from £53,953 to £38,544, equal to earnings of 2.86p (3.99p) per share. The fall reflected lower interest rates, an increase in expenses and the start of a programme of reinvestment of cash previously held on deposit.

Eve pays £1.14m for Tubular Barriers

Eve Group, the USM-quoted civil engineer and contractor, is paying £1.14m cash for Tubular Barriers, a subsidiary of Black & Edgington.

Mr Roger Ames, chairman, said Tubular, which provides crowd control barriers for sporting events, Royal and state visits and exhibitions, would fit in well with the Eve Trakway business.

Tubular achieved pre-tax profits of £293,000 in the 12 months to July 31. Its net assets amount to £311,000.

Caldwell rises to £321,640

Profits of Caldwell Investments, the USM-quoted investment and holding company, rose from £220,060 to £321,640 pre-tax for the year to October 31. Turnover improved by £1.47m to £5.77m.

Part of the increase stemmed from sterling's devaluation against the D-Mark and Swiss franc while increases in sales and gross margins of 34 per cent and 1.5 per cent respectively reflected organic growth.

Earnings emerged at 3.15p (1.62p) on a net basis or 2.94p fully diluted. The directors intend to propose payment of a dividend for the current year.

SEP expands in fasteners

SEP Industrial Holdings, the Surrey-based maker of engineering products, has acquired Jaton Holdings, a distributor of industrial fasteners.

Under the terms of the deal SEP is paying £1 for Jaton plus a further £1.87m in respect of claims by Jaton's former parent, Tollgate Holdings, now in liquidation, against Jaton.

Olives Property hit by write-off

Olives Property is to write off its investment in Continental Paper as an extraordinary loss at December 31 1992, following Continental going into receivership.

Olives has a total investment of £1.35m, represented by 7.5 per cent cumulative preference shares of £1, in Continental and its UK subsidiaries.

The effect of that, and eliminating capital reserves resulting from the sale of ordinary shares in Continental in March 1992 when it ceased to be an associate, is to reduce Olives' net assets from 71p at end-1991 to 50p per share.

Microvitec offshoot in MBO for £2.5m

Microvitec, the information systems and services group, has sold its Logitek distribution business to management for £2.49m cash, reducing gearing to under 50 per cent.

Net asset value of the loss-making business is about £3m. The second half 1992 results of Microvitec were affected by depressed sales and low margins in Logitek, and that had been a factor in the decision to sell.

Microvitec will now concentrate on its core businesses of designing, manufacturing and selling products, providing systems integration solutions and maintenance and software applications in the publishing and accountancy markets.

It will hold a 20 per cent stake in the purchaser, to be called Logitek Distribution.

33% asset rise at Fleming American

Fleming American Investment Trust saw its net asset value per share rise 33 per cent to 279.3p for 1992.

There was an increase in small company exposure to 25 per cent, where there is additional potential for capital growth, said Mr Iain Saunders, chairman.

Gross revenue rose from £3.87m to £4.11m. Higher expenses and interest led to a cut in earnings from 1.26p to 0.73p, and the dividend is reduced from 1.25p to 0.7p with a final of 0.35p.

Whitbread sells last of Euro Pizza Huts

Whitbread, the brewing and retailing group, has completed the disposal of its European Pizza Hut operation with an agreement to sell its 17 outlets in France to Pizza Hut International, the PepsiCo subsidiary which owns the brand.

Whitbread and Pizza Hut International are continuing to expand their joint venture in the UK, which now has nearly 300 restaurants and delivery outlets.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Fyffes, Miskin.
Finals- Adscene, Helton, YRM.

FUTURE DATES

Interims-	
Fletcher Challenge	Feb. 17
Inc3 Control Services	Feb. 11
Wardle Storeys	Apr. 7
Finals-	
Arjuhers	Feb. 15
BOC	Feb. 11
Brabant Resources	Feb. 10
Lasmo	Mar. 24

COMMODITIES AND AGRICULTURE

Canadian output cut fuels LME zinc price rally

By Kenneth Gooding, Mining Correspondent

ZINC PRICES jumped to fresh eight-week peaks at the start of trading on the London Metal Exchange yesterday as the market absorbed news that Cominco, the Canadian group, is to cut its production of the metal by 50,000 tonnes this year.

But profit-taking forced prices to retreat and analysts suggested further substantial cuts in the output of refined zinc were needed if prices were to move back up to the industry's break-even level of 54 US cents to 55 cents a lb ($1,190-$1,212 a tonne).

"We need two or three more cuts of the Cominco size if stocks are to come down and prices to rise," suggested Mr Wiktor Bielski, analyst at Carr Kitcat & Aitken, part of the Banque Indosuez Group. "I don't expect any other producers to follow [Cominco] quickly but if the zinc price stays at the present level for another three months there will be more producer cuts."

Zinc for delivery in three months touched $1,140 a tonne on the LME in early trading yesterday before easing back to close at $1,129.75, still $11.75 up on Friday's close.

Last week Pasminco of Australia announced a restructuring that would remove about 25,000 tonnes of zinc a year from the market but Mr Bielski said Cominco's cuts were more significant because they involved a reduction in refined metal production rather than mine output. He estimated that another 50,000 to 100,000 tonnes of refined metal production would have to be cut this year simply to bring the market back into balance. However, as world zinc stocks had risen to the equivalent of 9 weeks consumption, more cuts would be required to whittle them down. Stocks would have to be reduced to about five weeks consumption before zinc prices would show any substantial rise.

● Sumitomo Metal of Japan said depressed prices were forcing it to cut nickel production from April 1 to an annual rate of 15,900 tonnes for at least the first half of the 1993-94 financial year. Analysts estimated this might take 5,000 tonnes out of the market this year, "not nearly enough to make an impact on prices," said Ms Karen Norton at Billiton-Enthoven Metals, part of the Royal Dutch/Shell group.

Billiton in its latest Metals Report points out that most of the several nickel production cuts which have been announced are mainly reductions in planned 1993 output rather than genuine cuts. It still expects a nickel supply surplus this year and for the price to fall from an average of $3.18 a lb in 1992 to $2.75 this year.

North Sea oil prices steady on Opec hopes

By Deborah Hargreaves

NORTH SEA Brent oil prices firmed yesterday after adding more than $1 a dollar a barrel late last week in response to US proposals for an oil import tax. However, the price of North Sea Brent crude for March delivery slipped back towards the close of the market to end barely changed from Friday.

Traders expressed the belief that the US proposals for an import tax, even if they came to nothing, could galvanise the Organisation of Petroleum Exporting Countries to take action to support oil prices.

Indeed, initial steps by Mr Alirio Parra, Opec president, to secure agreement for a cut of around 1m barrels a day in Opec output for the second quarter seems to have formed a consensus. Nigeria indicated yesterday it would cut its production from its current output level which it says is 2.4m b/d.

Overall Opec output remained high in January at 25.05m b/d according to Petroleum Intelligence Weekly, the trade publication, compared with the organisation's ceiling of 24.58m b/d.

Market traders believe Opec could have problems making its next deal stick since members have signally failed to abide by the current programme of cuts. "There is no doubting their seriousness over a production cut, but will they follow through and will it be 1m barrels?" said Mr Gary Ross, chief executive of Petroleum Industry Research Associates in New York.

Nevertheless, hopes for a production cut by Opec members should support crude prices in the run-up to the next meeting on February 13.

There is some doubt about whether refined product prices in Europe will benefit from any action by Opec as much as crude prices. Cambridge Energy Research Associates points to high product stocks, low demand and mild weather which have depressed prices.

● Algeria's state oil and gas monopoly, Sonatrach and British Petroleum signed a $45m exploration agreement in Algiers at the weekend, Francis Ghiles reports.

The agreement covers five blocks around Sour El Ghozlane, 100 miles south of Algiers, a region where oil was first exploited 50 years ago but where virtually no exploration has been conducted recently.

The agreement also allows for the joint exploitation and marketing of gas.

Eastern German farming needs more pruning

Labour cuts have not gone far enough to put the agricultural sector back on its feet

FARMER'S VIEWPOINT

By David Richardson

THE OUTSIDE of the café had been smartened up and the food served inside was well up to western standards. But beneath the new paint it was still possible to glimpse the scars of 40 years of neglect. The grocer's shop next door was in a similar state and the newly-installed shelves were an obvious indication of recent investment. But most of the rest of the buildings in this village of Buchholz in the former East German länd of Brandenburg, 50 km (30 miles) south-west of Berlin, still looked drab and unloved, much as they did under the communists.

I was visiting the local farming company. Less than three years ago most of its land and farm buildings formed the basis of a production co-operative. But these are no longer permitted under the united federal government. All 4,500 that existed under the previous regime have been liquidated to be converted into partnerships or corporations or split up into small farms.

Responsibility for this rural restructuring is with the Berlin-based Treuhand and although it is now more than three years since the wall came down much still remains to be completed. Indeed the Treuhand is still having to administer hundreds of farms, many of which are insolvent and still losing money.

Reasons for the slow progress are many and varied. In spite of a reduction in the total farm labour force in the five former eastern länder from 848,000 to 208,000 there are still probably twice as many as can be profitably employed. But an even more serious problem is the continuing dispute over ownership of thousands of individual parcels of land.

Back in May 1945, when the Russians took over the administration, the new rulers confiscated all the farms of more than 100 hectares (250 acres). Of the total East German land area of 6m hectares one-third was taken and in 1949 redistributed in small parcels among farm workers.

It was not until the second phase of the communist land reform, which began in 1953, that all of the farmland including the small farms created in 1949, were thrown together and merged into large co-operative units. Later still the management of arable land on the now massive farms was separated from that of the large intensive livestock units that had been built on it.

The Treaty of German Unity which was agreed in 1989 decreed that only those farmers, or their successors, who were forced into co-operatives from 1953 onwards would be entitled to reclaim their land. The original larger landowners whose farms were confiscated in 1945 were given no rights to recover their property.

Since then, however, test cases have been brought to the federal courts by some of those landowners and it has been conceded that they should have been better treated. It remains to be seen how ownership of the 2m ha involved will be resolved between those who claim historical rights and those who were given confiscated land by the East German government in 1949 and have since believed it was theirs.

Needless to say, however, binding decisions on who owns what are central to the security and viability of the new farming corporations. The one in the village of Buchholz is a good example.

Under the communist regime the 1,200 ha carried 1,500 cattle (of which 500 were dairy cows) and ran an intensive 300-sow pig breeding herd, finishing all the progeny for meat. The labour force was 110 people.

As the managing director admitted while we enjoyed some refreshment in the village café it was quite a shock when the community suddenly found itself having to try to operate according to market forces. Indeed when the magnitude of the problem was realised there was a temptation to dissolve the whole enterprise.

After further consideration, however, it was decided to form a limited company from among the workers and attempt to make the farm profitable. The pig enterprise was closed because the buildings, put up only 12 years before, were inconvenient and would have taken more labour than could be afforded. The enormous impractical concrete sheds now stand empty as a monument to a failed system.

A review of the cattle operation revealed that it too was losing money by European Community standards, and numbers were drastically reduced. The beef enterprise was cut to just 70 head of bull beef and the dairy herd to 385 very ordinary milkers, plus replacement young stock. The manager said he intended to improve the quality of the herd by breeding his own replacements from the present cows: a task which has taken many an expert, enthusiastic cattle breeder a lifetime to achieve. He does not have that much time.

Meanwhile on the arable side of the farm it was decided to put 30 per cent of the land into set-aside in order to guarantee some income in the form of EC compensation payments. Needless to say the labour force has been cut by almost 80 per cent to 24 people. I judged that to compete with most other EC farmers and produce commodities at community prices it would be necessary for the management to reduce staff again to no more than 12.

Overshadowing it all is the fact that the ownership of some of the land being farmed, including that on which the main farm buildings stand, is still in dispute. The manager hopes that the federal government will provide time for this to be sorted out by allowing those who occupy the land to lease it for 12 years.

He also hopes that the Treuhand will agree to extend the repayment schedule for loans it made to the Buchholz farming company and continue to forgive interest payments. Altogether these amount to something like £1m and as the manager admitted the company has still made substantial losses in each of the two years it has been trading.

He was convinced that everything would come right and that a profit would be showing in two or three years. I did not like to tell him my opinion that without a great deal more financial help from the federal government his company's position was hopeless. And this was said to be one of the better examples of a privatised East German co-operative.

United Germany's new agriculture minister, Mr Jochen Borchert, appointed 10 days ago, will understand the problems of former east German agriculture better than most. His father's farm was one of those forcibly merged into a big co-operative in 1953. The family fled to the west at that time taking their young son, Jochen, with them. Since reunification he has successfully reclaimed ownership of the land and is currently renting it to another farming company.

So, he will have an intimate knowledge of the strong emotions and enormous financial difficulties involved. But whether it is possible for him to be successful in using that knowledge to find solutions to these most intricate problems that are acceptable to all concerned may be another matter.

Gold production record

By Kenneth Gooding

GOLD PRODUCTION outside the former eastern bloc countries reached a new peak last year, according Mining Journal's International Gold Newsletter. It is estimated to have risen 3.4 per cent or 59.9 tonnes from the 1991 level, from 1,781.6 tonnes to 1,841.5 tonnes.

Mines in the US are estimated to have shown the biggest tonnage increase: 27.6 tonnes or 9 per cent, to 327.6 tonnes, mainly because of the continued expansion of several large mines.

South Africa's gold output also remained buoyant and was up by 12.8 tonnes, or 2 per cent, to 613.9 tonnes.

Australia, which saw a drop in gold production in 1991, reversed the trend last year and produced an extra 3.5 per cent or 8.5 tonnes to take its total to 242.7 tonnes. This was still a little short of 1990's record 243.1 tonnes.

Canada is one of the few big producers where output is estimated to have fallen. Mining Journal suggests output was down by 13.6 tonnes or nearly 6 per cent to 163.1 tonnes because of a large number of mine closures in 1991-92, most of them higher-cost underground mines.

Production is also estimated to have fallen in Brazil, by 8 tonnes (10 per cent) to 72 tonnes. The most notable increases last year were in Indonesia (up by 21.7 tonnes or 120 per cent to 40.1 tonnes); Papua New Guinea (up by 11.2 tonnes or 17.5 per cent to 75.5 tonnes) and Ghana (up by 12.2 tonnes or 47 per cent to 38 tonnes).

Mr David Bird, editor of the newsletter, says that, in spite of the extended decline in prices last year, many gold mines survived through forward selling and more selective mining, which yielded higher grades.

Soviet collapse leaves Indian tea trade in a stew

Kunal Bose reports on the price being paid for over-dependence on a single market

NO OTHER single factor has done as much harm to the international marketing of Indian tea as the over-dependence on one single market, the erstwhile Soviet Union, which in 1991 took 104.6m kg out of total Indian export of 203m kg.

Assured of such a big market, Indian exporters withdrew largely from several traditional markets, including the UK, and the vacuum was filled largely by Kenya, Sri Lanka and Malawi. But last year, India had to resort to aggressive marketing in the countries which it had earlier vacated, since Russia and the other CIS constituents bought only about 45m kg.

In spite of the sharp setback in Russian purchases, India could ship more than 180m kg of tea in 1992. The Indian tea companies cannot, however, claim credit for the fairly high level of exports as this was facilitated to a great extent by a shortfall of more than 125m kg in world tea production.

According to Mr Mumtaz Ahmad, director of McLeod Russel, while the Indian tea producers were happy selling bulk teas to the Soviets at "artificially high rupee prices because of a skewed rupee rouble exchange rate", many other big tea importing countries got used to the "light and bright Kenyan teas whose quality remain uniform throughout the season. The quality perception of tea drinkers has undergone a revolutionary change in many countries." Assam tea, on the other hand, is thick and creamy and its quality does not remain uniform throughout the year. An international blender using Assam tea has, therefore, to maintain a high stock level.

At the recent international tea convention in Delhi, some overseas delegates complained that India, which earlier could sell any tea in the Soviet Union, had neglected quality. Mr Krishna Kumar, managing director of Tata Tea, concedes that "our manufacturing processes, both in the field and the factory were geared to offer a product-mix to a particular buyer which now require a complete review and redefinition".

Moreover, as the Indian tea industry made handsome profits, thanks to the Soviet buying, the tea company managers became complacent and the cost of production rose sharply. The government also did not feel shy about making tea the most taxed industry in the country. But with their profit margins now under severe pressure, the tea companies are desperately seeking tax relief.

According to Mr Susim Mukul Datta, chairman of Hindustan Lever, the two principal challenges faced by the industry are "re-establishing itself in the markets where it has become near strangers and competing with the low cost producers who are attuned to the tastes prevalent in these markets."

India may be producing a lot of bad teas, but it also grows some of the finest in the world. Besides assurances about quality and competitive prices, international buyers, according to Mr Ahmad, want to be sure that India will remain a reliable supplier of tea in the long run.

The doubt arises from the fact that the 540m-kg Indian domestic market is growing at an annual average rate of 3 per cent. The international buyers also have strong reservations about the export infrastructure, including documentation and shipping facilities available in India, which will have to be improved significantly to catch up with neighbouring Sri Lanka.

There is a consensus in the industry that Indian tea production can be raised substantially by changing certain cultivation practices and raising the rate of replantation. While the average yield of tea in India is 1,761 kg a hectare, clones giving yields of more than 3,000 kg a hectare are now available.

Mr Ahmad believes that Indian tea production by the turn of the century could be raised to 1,000m kg, which should leave an exportable surplus of at least 250m kg.

WORLD COMMODITIES PRICES

MARKET REPORT

New York arabica COFFEE prices were near session highs at midday in a technical correction to last week's price plunge. London's robusta market continued to claw back some lost ground, closing with gains of up to $12. Dealers said they were looking for a close above 60 cents for the New York March contract to give the recovery added momentum, although conditions were nervous and a resumption of the downtrend could still not be ruled out. ICO talks about a new pact end on Friday. London COCOA futures closed with gains of around £21, boosted by the weakness of sterling against the dollar. Dealers said the market had convincingly breached resistance at £723 a tonne and should now move up to test the £742-£743 area on May. On the LME COPPER traders were awaiting developments from Chile's Ventanas smelter where workers are mulling an improved pay offer; reports of strike action at a Mexican copper refinery also made for some caution.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)(Mar)		+ or -
Dubai	$18 01-8.05	+.005
Brent Blend (dated)	$18 55-8.58	+.015
Brent Blend (Mar)	$18 45-8.48	-0.01
W.T.I (1 pm est)	$20 21-0.24	-0.05
Oil products (NWE prompt delivery per tonne CIF		+ or -
Premium Gasoline	$193-194	+0.5
Gas Oil	$172-173	-1.0
Heavy Fuel Oil	$71-73	+0.5
Naphtha	$182-184	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$329.85	-0.50
Silver (per troy oz)♣	366.5c	-3.0
Platinum (per troy oz)	$361.8	-2.8
Palladium (per troy oz)	$110.1	-2.26
Copper (US Producer)	104.0c	-0.5
Lead (US Producer)	33.5c	
Tin (Kuala Lumpur market)	15.20r	
Tin (New York)	266.0c	-2.0
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	118.91p	+2.02*
Sheep (live weight)†♣	93.54p	+3.80*
Pigs (live weight)†	82.43p	+1.56*
London daily sugar (raw)	$212.8	-0.2
London daily sugar (white)	$259.0	-1.7
Tate and Lyle export price	£255.0	+4.8
Barley (English feed)	£136.0	
Maize (US No. 3 yellow)	£188.0	
Wheat (US Dark Northern)	Unq	
Rubber (Mar)♥	69.00p	+1.25
Rubber (Apr)♥	69.25p	+1.25
Rubber (KL RSS No 1 Feb)	241.0m	-1.0
Coconut oil (Philippines)§	$442.5y	+2.5
Palm Oil (Malaysian)§	$410.0w	
Copra (Philippines)§	$280	
Soyabeans (US)	£182.5u	
Cotton "A" index	58.60c	+0.35
Wooltops (64s Super)	400p	+10

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Mar/Apr u-Feb/Apr. v-Aug. w-Feb/Mar z-Jan/Mar ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg ♣Sheep prices are now live weight prices * change from a week ago, provisional prices

SUGAR - London FOX			($ per tonne)
Raw	Close	Previous	High/Low
Mar	165.00	168.00	
White	Close	Previous	High/Low
Mar	251.80	254.00	252.50 251.50
May	253.80	256.00	254.80 253.40
Aug	256.80	259.60	257.50 257.00

Turnover: Raw 0 (7) lots of 50 tonnes. White 842 (1414) Paris- White (FFr per tonne): Mar 1428.40 May 1446.04

CRUDE OIL - IPE			$/barrel
	Latest	Previous	High/Low
Mar	18.83	18.47	18.70 18.43
Apr	18.53	18.50	18.68 18.41
May	18.53	18.57	18.68 18.46
Jun	18.59	18.63	18.67 18.50
Jul	18.61	18.68	18.63 18.53
IPE Index	18.54	18.31	

Turnover 24687 (49086)

GAS OIL - IPE			$/tonne
	Close	Previous	High/Low
Feb	169.00	169.50	172.00 169.00
Mar	170.25	170.50	172.50 170.00
Apr	170.00	171.00	172.00 170.00
May	170.00	170.50	172.00 170.00
Jun	170.00	170.00	172.50 170.00
Jul	172.00	172.00	173.75 172.00
Aug	174.25	174.00	175.00
Sep	176.25	176.00	177.00

Turnover 14376 (18825) lots of 100 tonnes

TEA

There were 13,394 packages for the day, reports the Tea Brokers Association. Landed demand was selective. Better liquoring Assams sold readily at slightly easier rates, others declined by 5-10p. Bangladesh teas met limited support below valuation. Bright Africans were a strong feature and often dearer, but medium and plainer descriptions proved irregularly easier. Offshore: only fair demand with prices 2-4p lower. The highest price realised this week was 226p for a Rwanda PD. Quotations: quality 210, good medium 175p, medium 152p, low medium 110p

COCOA - London FOX			£/tonne
	Close	Previous	High/Low
Mar	725	703	725 706
May	736	716	737 719
Jul	749	729	749 732
Sep	701	741	761 746
Dec	780	701	701 784
Mar	800	782	799 786
May	814	798	807 799
Jul	826	815	824 818
Sep	842	827	830

Turnover: 4801 (7253) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jan 29 719.44 (726.53) 10 day average for Jan 28 753.14 (757.65)

COFFEE - London FOX			$/tonne
	Close	Previous	High/Low
Jan	937	881	939 907
Mar	907	895	907 885
May	910	898	914 892
Jul	897	889	060 884
Sep	908	898	810 900
Nov	922	917	015

Turnover:2589 (2210) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jan 29: Comp. daily 54.72 (53.91) 15 day average 57.33 (57.65)

POTATOES - London FOX			£/tonne
	Close	Previous	High/Low
Apr	52.0	54.0	53.5 52.0
May	62.8	62.5	62.0

Turnover 66 (87) lots of 20 tonnes.

SOYAMEAL - London FOX			£/tonne
	Close	Previous	High/Low
Feb	162.00		162.00
Apr	158.00	154.00	158.00
Jun	148.00	145.00	148.00
Aug	148.50	146.00	146.50

Turnover 257 (70) lots of 20 tonnes.

FREIGHT - London FOX			$10/Index point
	Close	Previous	High/Low
Feb	1270	1286	1275 1270
Mar	1285	1293	1285 1280
Apr	1290	1290	1290 1275
Jul	1100		1100 1144
BFI	1277	1278	

Turnover 113 (131)

GRAINS - London FOX			£/tonne
Wheat	Close	Previous	High/Low
Mar	142.00	139.00	142.00 140.50
May	143.75	140.85	143.70 142.00
Jun	143.00		143.50 143.20
Sep	111.00	110.55	111.50 111.00
Nov	113.50	112.40	113.50 113.00
Barley	Close	Previous	High/Low
Mar	137.25	135.05	137.25 136.05
May	137.75	136.00	137.75 137.60

Turnover. Wheat 295 (476), Barley 148 (200). Turnover lots of 100 Tonnes.

PIGS - London FOX			(Cash Settlement) p/kg
	Close	Previous	High/Low
Mar	150.8		106.0
Apr	105.8		106.5
May	106.8		106.6 106.5
Jul	102.8		102.6

Turnover.11 (2) lots of 3,250 kg

LONDON METAL EXCHANGE					(Prices supplied by Amalgamated Metal Trading)	
	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 23,583 lots	
Cash	1194.5-5.5	1202-03	1194/1193.5	1193.5-4		
3 months	1215.5-6	1224-25	1218/1218	1215.5-6	1217-7.5	162,418 lots
Copper, Grade A (£ per tonne)					Total daily turnover 45,911 lots	
Cash	1521-2	1497-98	1515/1514	1513.5-4		
3 months	1541.5-2	1515.5-18	1549/1534	1533.5-4	1543-4	157,662 lots
Lead (£ per tonne)					Total daily turnover 3,134 lots	
Cash	285.5-6.5	285-86	287.5	287-7.5		
3 months	295-5.5	294 5-95	303/296	296.5-7	294-6	18,627 lots
Nickel ($ per tonne)					Total daily turnover 5,324 lots	
Cash	5765-75	5795-805	5800/5799	5798-9		
3 months	5835-40	5860-70	5880/5835	5860-5	5835-40	43,826 lots
Tin ($ per tonne)					Total daily turnover 3,027 lots	
Cash	5725-35	5835-45		5770-5		
3 months	5785-90	5895-900	5870/5785	5835-40	5805-10	8,575 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 22,058 lots	
Cash	1111-2	1098-100	1105	1105-5.5		
3 months	1129.5-30	1117-18	1137/1115	1124-4.5	1125-6	69,777 lots

LME Closing £/$ rate: SPOT: 1.4535 3 months: 1.4435 6 months: 1.4368 9 months: 1.4308

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	329.70-330.00	
Opening	329.30-329.70	
Morning fix	329.00	224.777
Afternoon fix	329.75	226.321
Day's high	330.00-330.20	
Day's low	329.00-329.30	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	1.60	6 months	2.00
2 months	1.65	12 months	2.11
3 months	1.71		

Silver fix	p/troy oz	US cts equiv
Spot	250.40	366.00
3 months	254.00	368.65
6 months	257.20	371.60
12 months	263.95	378.00

GOLD COINS	$ price	£ equivalent
Krugerrand	329.00-332.00	226.00-228.00
Maple leaf	338.35-341.55	-
New Sovereign	78.50-81.50	54.00-56.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Mar	Jun	Mar	Jun
1200	22	39	18	24
1225	11	39	30	34
1250	5	28	48	49
Copper (Grade A)	**Calls**		**Puts**	
2200	40	77	24	55
2250	24	54	50	81
2300	10	36	65	112
Coffee	**Mar**	**May**	**Mar**	**May**
850	62	86	8	28
900	29	50	23	45
950	10	37	54	77
Cocoa	**Mar**	**May**	**Mar**	**May**
700	32	55	7	10
725	17	40	17	29
750	8	30	33	44
Brent Crude	**Mar**	**Apr**	**Mar**	**Apr**
1800	52	-	6	38
1850	15	56	24	61
1900	7	39	35	90

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Feb	330.3	330.2	330.6	329.7
Mar	330.4	330.4	0	0
Apr	330.7	330.7	331.2	330.1
Jun	331.9	331.9	332.1	331.3
Aug	333.3	333.3	333.8	333.3
Oct	334.8	334.8	0	0
Dec	336.3	336.3	336.7	336.3
Feb	338.0	336.0	337.8	337.8
Apr	339.8	339.8	0	0

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Apr	362.1	362.8	363.0	360.3
Jul	368.8	359.3	359.5	357.5
Oct	356.9	357.3	0	0
Jan	355.4	366.8	0	0

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Feb	366.7	365.2	367.0	366.0
Mar	367.5	366.0	369.0	364.5
May	369.0	368.4	371.5	367.0
Jul	372.1	370.6	373.8	369.5
Sep	374.5	373.0	375.0	372.0
Dec	378.3	376.8	379.5	376.0
Jan	379.3	377.8	0	0
Mar	382.7	381.2	383.5	382.0
May	385.8	384.1	0	0
Jul	388.7	387.2	388.0	388.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Feb	98.50	60.50	60.55	60.50
Mar	98.95	60.95	99.20	98.60
Apr	99.20	99.20	99.20	99.18
May	99.40	99.45	99.65	68.20
Jun	99.65	99.60	99.40	99.40
Jul	99.65	99.78	99.50	99.80
Aug	100.10	99.65	100.00	100.00
Sep	100.25	100.05	100.25	100.00

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Latest	Previous	High/Low	
Mar	20.23	20.26	20.40	20.17
Apr	20.25	20.31	20.47	20.21
May	20.30	20.35	20.00	20.25
Jun	20.33	20.88	20.61	20.28
Jul	20.35	20.43	20.55	20.31
Aug	20.40	20.40	20.46	20.34
Sep	20.47	20.46	20.50	20.40
Oct	20.47	20.51	20.40	20.41
Nov	20.47	20.51	20.47	20.41
Dec	20.47	20.50	20.54	20.40

HEATING OIL 42,000 US galls, cents/US galls				
	Latest	Previous	High/Low	
Mar	56.60	56.64	57.30	56.35
Apr	56.50	56.58	57.30	56.35
May	56.15	56.10	56.90	56.00
Jun	55.85	55.99	56.60	55.85
Jul	55.90	56.18	56.50	55.60
Aug	56.70	58.79	57.00	55.05
Sep	56.30	57.94	58.30	56.30
Oct	59.25	58.94	59.25	59.25
Nov	60.00	59.74	60.00	60.00
Dec	60.48	60.54	60.75	60.45

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
Mar	920	012	924	898
May	949	941	051	927
Jul	978	966	978	959
Sep	1003	991	1003	999
Dec	1037	1025	0	0
Mar	1072	1900	1060	1052
May	1093	1081	1077	1073
Jul	1113	1098	1097	1085
Sep	1140	1124	0	0
Dec	1177	1154	0	0

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	60.95	58.30	61.00	58.75
May	66.55	64.25	60.60	64.70
Jul	66.40	65.60	68.40	68.60
Sep	70.10	68.00	70.20	68.50
Dec	72.90	70.70	72.90	71.40
Mar	75.25	73.30	0	0
May	77.50	75.25	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	8.25	8.30	8.33	8.25
May	8.50	8.57	8.00	8.50
Jul	8.54	8.70	8.58	8.84
Oct	8.56	8.61	8.60	8.54
Mar	8.81	8.55	8.60	8.60
May	8.54	8.81	0	0

COTTON 50,000; cents/lbs				
	Close	Previous	High/Low	
Mar	59.20	00.34	00.30	58.55
May	60.03	60.18	60.60	59.51
Jul	61.05	61.15	61.05	60.85
Oct	60.60	60.52	60.00	60.50
Dec	59.70	60.55	60.75	59.55
Mar	60.40	60.25	0	0
May	60.95	60.60	0	0

ORANGE JUICE 15,000 lbs, cents/lbs				
	Close	Previous	High/Low	
Mar	68.30	71.05	71.90	68.20
May	71.00	74.90	78.20	71.40
Jul	75.00	77.35	77.40	74.30
Sep	77.30	79.95	00.75	77.25
Nov	80.85	81.75	81.75	00.00
Jan	83.35	85.98	80.00	83.50
Mar	85.80	87.60	87.55	86.60
May	86.60	89.05	89.00	60.00
Jul	60.00	0	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)			
Feb 1	Jan 29	mnth ago	yr ago
1717.7	1702.1	1705.7	1577.8

DOW JONES (Base: Dec. 31 1974 = 100)				
	Jan 29	Jan 28	mnth ago	yr ago
Spot	121.67	121.31	121.56	117.88
Futures	121.58	121.33	121.98	122.73

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Mar	573/2	574/0	573/8	569/2
May	575/4	575/6	576/0	571/4
Jul	580/0	579/6	580/2	575/4
Aug	561/0	561/0	561/0	576/4
Sep	580/0	580/6	580/0	577/4
Nov	007/6	586/2	588/0	582/2
Jan	594/4	593/6	594/4	591/0

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Mar	21.00	20.76	21.02	20.55
May	21.22	20.99	21.23	20.80
Jul	21.43	21.20	21.45	21.00
Aug	21.49	21.25	21.00	21.10
Sep	21.50	21.26	21.00	21.10
Oct	21.50	21.26	21.50	21.20
Dec	21.62	21.37	21.65	21.20
Jan	21.56	21.41	0	0

SOYABEAN MEAL 100 tons, $/ton				
	Close	Previous	High/Low	
Mar	179.8	181.2	180.7	179.5
May	180.8	181.4	181.1	180.0
Jul	181.8	182.8	182.5	181.4
Aug	182.5	183.4	180.0	182.3
Sep	183.4	184.2	183.8	183.2
Oct	185.0	185.3	185.0	185.0
Dec	186.7	187.0	185.8	186.7
Jan	187.1	187.8	0	0

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
Mar	213/4	214/4	214/2	213/0
May	221/4	222/2	222/2	221/0
Jul	229/0	229/8	229/4	228/4
Sep	235/6	236/6	235/8	235/0
Dec	242/2	242/4	242/4	241/2
Mar	249/0	249/4	249/0	248/2

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
Mar	379/2	380/0	380/2	375/0
May	350/6	352/6	352/0	348/0
Jul	329/4	326/6	330/0	326/0
Sep	333/0	301/4	332/6	329/4
Dec	339/0	338/4	340/0	336/8

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Feb	78.250	77.500	78.350	76.850
Apr	77.300	76.850	77.425	76.200
Jun	72.525	72.525	72.625	71.700
Aug	70.675	70.850	70.700	70.000
Oct	71.475	71.400	71.525	70.150
Dec	71.925	71.850	71.950	71.350

LIVE HOGS 40,000 lb, cents/lbs				
	Close	Previous	High/Low	
Feb	43.800	44.025	44.100	43.775
Apr	43.700	43.000	43.975	43.450
Jun	48.350	48.475	48.700	48.150
Jul	47.700	47.650	47.950	47.500
Aug	45.925	45.800	45.850	45.425
Oct	41.450	41.750	41.750	41.450
Dec	42.450	42.700	42.650	42.450

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Feb	35.825	34.975	36.060	34.650
Mar	36.350	35.750	36.700	35.500
May	37.475	36.150	37.900	36.650
Jul	37.850	37.200	38.200	37.000
Aug	36.900	36.300	37.100	35.850

LONDON STOCK EXCHANGE

Equities near peak in higher volume

By Terry Byland, UK Stock Market Editor

THE LONDON stock market appeared in no doubt yesterday regarding the developments of last weekend, when the UK prime minister denied press reports of an impending 2 percentage-point cut in base rates, while devaluation of the Irish punt threw the ERM currencies into turmoil. Investors took the view that economic growth remains the UK government's top priority, with weakness in sterling and the consequent inflation risks lower down the agenda.

The fall in the pound, an immediate benefit to export prospects, brought strong gains across the range of the blue chips, and belief that rates will be reduced at Budget time in six weeks drove interest rate-linked issues ahead.

Share prices rose sharply in another well-traded session. The FT-SE 100 Index finished at 2,851.6, within 10 points of its all-time high, and showing a gain on the day of 44.4, or 1.6 per cent. At the day's peak, the Footsie touched 2,864.5, pressing hard on the all-time high of 2,861.5 achieved on January 4 this year.

Investment demand finally spread across the full range of equities, and the FT-SE Mid 250 Index kept pace with the FT-SE 100 to record a gain of 1.2 per cent at 2,988.9. Turnover in non-Footsie stocks, slightly higher than last week, made up just over 64 per cent of the day's Seaq volume total of 793.4m shares. The weight of investment activity in equities was signalled again by a high retail worth of £1.51bn in Friday's session.

Equity analysts appeared ready to see sterling renew its fall, perhaps to the DM2.30 area which, according to some currency specialists, would have the same effect on corporate earnings as a one-point reduction in base rates.

The currency effect was most noticeable in the oil sector, which heavily outperformed the rest of the market. Close behind were the building material, property and banking sectors, all three likely beneficiaries from lower interest rates.

Out of favour, on the other hand, were the utilities, where the switch to growth stocks coincided with uncertainty among the electricity generating issues in the wake of political calls for aid to Britain's coal-industry. Pharmaceutical shares continued to suffer as investors reacted to possible shifts in the US medical market under the Clinton administration.

The equity market put aside worries about the impending weight of rights issues which had restrained it at the end of last week. The new share trading account, which opened yesterday, appears likely to be dominated by currency and interest rate factors rather than by apprehension over equity and gilt-edged funding. Nomura Research Institute said its analysts are now expecting 22 per cent growth in share earnings on UK stocks this year. They also expect market earnings estimates to improve as the year progresses.

The past two weeks have also seen a return to high levels of equity trading volume, which now exceeds even the levels recorded in the final quarter of 1992, which themselves were a substantial improvement over the thinly traded sessions suffered earlier in the year. Securities trading houses yesterday reported increasing volumes of private investor business as well as the continuing flow of institutional trading.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
AGT	18	468	+16
ASDA Group	27,000	63½	−½
Abbey National	3,200	380½	+11½
Albert Fisher	802	48	−1
Allied-Lyons	3,300	[illegible]	+11
Amstrad	1,800	35	+1
Anglian Water	425	486	−2
Argos	1,600	291	−3
Argyll Group	1,900	367	+6
Arjo Wiggins	4,700	173	+10
Ass. Brit. Foods	88	476	−6
Ass. Brit. Ports	166	396	+6
[illegible]	[illegible]	[illegible]	[illegible]
Comm. Union	319	609	+1
Cookson	1,600	204	+3
Courtaulds	394	596	+11
Dalgety	848	480	+6
De La Rue	88	865	+1
Dixons	2,300	228	+2
Eastern Elect.	1,600	411	+1
East Midland Elect.	2,600	387	−4
Eng China Clays	220	479	+8
Enterprise Oil	1,600	452	+12
Eurotunnel Units	83	410	+8
FKI	1,300	119	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
Lonrho	655	75½	−½
Lucas	3,600	148	
MB Caradon	405	309	+16
MEPC	848	364	+12
Manweb	464	486	−2
Marks & Spencer	2,800	316	+4
Midlands Elect.	737	440	
Morrison (Wm.)	162	188	+1
NFC	1,100	271	+6½
NatWest Bank	6,800	459	+17
National Power	3,400	298	+4½
Next	1,600	143½	+1½
[illegible]	[illegible]	[illegible]	[illegible]
Shell Transport	4,900	573	+15
Siebe	1,300	460	+16
Slough Ests	797	175	+6
Smith (WH) A	4,300	416	
Smith & Nephew	1,600	157½	+2
SmithKline Beecham	949	487	+6
SmithKline Beecham Uts.	793	428	+7
Smiths Inds.	919	376	+16
Southern Elect.	2,300	414	−3½
South Wales Elect.	138	486	+5
South West Water	305	486	−3
South West Elect.	427	443	−2
[illegible]	[illegible]	[illegible]	[illegible]
Thorn EMI	516	854	+12
Tomkins	2,600	239	+2½
Trafalgar House	2,000	86	−1
Unigate	1,200	380	+2
Unilever	1,300	1128	+16
United Biscuits	2,200	365	−1
Utd. Newspapers	297	527	+2
Vodafone	3,300	379	+2
Warburg (SG)	398	690	+20
Wellcome	1,400	876	−25
Welsh Water	705	506	−2
Wessex Water	817	503	−2
Whitbread 'A'	1,400	454	+7
Williams Hldgs.	1,300	346	+7
Willis Corroon	877	236	+2
Wimpey	779	133	+4
Wolseley	271	681	+12
Yorkshire Elect.	486	466	
Yorkshire Water	339	512	−3

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

Account Dealing Dates

*First Dealings:	Jan 18	Feb 1	Feb 15
Option Declarations:	Jan 28	Feb 11	Feb 25
Last Dealings:	Jan 29	Feb 12	Feb 26
Account Day:	Feb 8	Feb 22	Mar 8

*New time dealings may take place from 8.30am two business days earlier.

Sellers hurt Glaxo

LEADING UK pharmaceuticals group Glaxo was one of the few significant casualties in an otherwise very buoyant London market yesterday, as US investors sold the international drug manufacturer heavily. *Analysts, seeking a rationale,* focused on an article in a US financial magazine, but the slide in the shares appeared to herald weakness throughout the sector.

The US article, officially published yesterday, featured an interview with four senior institutional investors. One highlighted Glaxo and Merck as his key sells, arguing that Glaxo's gross margins are 82 per cent while pre-tax margins are only 35 per cent.

Glaxo shares, which had been up 16p at the start of trading on the beneficial effect of a stronger dollar against sterling, turned around to record an equivalent fall to 678p on heavy turnover of 7m. The slide prompted marketmakers to look around for the next victim. Wellcome, 14 ahead at first, closed 25 down at 876p.

Demand for RBoS

The best individual performance of any FT-SE 100 Index stock came from Royal Bank of Scotland (RBoS), which raced up 21, or 9.1 per cent, to 251p, the highest level for the shares since the early 1980s. The rise compared with a 3.1 per cent increase in the FT-Actuaries banks index and a 1.6 per cent gain in the FT-SE 100.

Much of the rise in RBoS was attributed to one of the leading marketmaking firms having to scramble to cover a short position in the stock, triggered by some rather exaggerated expectations of the price RBoS may get for Charterhouse Bank. The latter has been up for sale *for many months and there are* strong hints that two Continental banks, Germany's BHF and Credit Commercial de France are each about to buy a 45 per cent stake, leaving RBoS with 10 per cent.

Banking analysts said Charterhouse would probably fetch a sale price of £200m, but there were stories circulating in the market yesterday that a much higher figure might be on the cards.

LIG weakens

Photo-processing to condom manufacturer London International (LIG) fell 22 to 249p as the company warned that profits would be even lower than it had signalled last year.

The company took the unusual step of telephoning analysts individually rather than putting out an announcement via the Stock Exchange information service.

LIG said laboratory closures in the troubled photo-processing arm were taking longer than previously expected. Most pharmaceuticals specialists chopped their figures for this year and next. Smith New Court was at the low end, coming down by £4m to £33m for this year and by the same amount to £43m for 1994.

Arjo Wiggins firm

Troubled paper maker Arjo Wiggins Appleton saw a reversal of fortunes as the company broker upgraded its recommendation. The shares rose to their highest level since plummeting in September when *Arjo chopped* its interim dividend.

UBS Phillips & Drew moved its recommendation from a corporate hold, which many would see as a sell recommendation in view of the firm's relationship with the company, to a long term buy. UBS believes the signs of recovery in the US – where Arjo generates 75 per cent of its profits – and the recent management changes augur well for the company. However, the broker sounds a note of caution on prospects for high quality coated paper manufacture in continental Europe. The shares rose 10 to 173p with 4.7m traded, showing signs of a chart break-out.

Kwik Save adrift

Discount food retailer Kwik Save retreated as a number of factors combined to build negative sentiment against the stock. Prominent amongst these were reports that the private German discount food group Aldi is actively searching for fresh superstore sites in the south-east. Kwik Save shares closed 7 adrift at 801p.

There were also whispers that Asda would use the proceeds of its £347m rights issue last week to fund expansion of its Dales discount chain, again threatening Kwik Save's market domination. Asda fell 3¼ to 63½p xd in turnover of 25m, with a further 19.5m done in the options market.

Finally, news that Iceland Frozen Foods is to strengthen its high street position through a joint venture with Littlewoods also weakened sentiment against Kwik Save. However, the move was seen as good news for Iceland with analysts predicting that it would enhance earnings by around £80m by next year. Profit forecasts for this year were increased from around £61m to £68m.

Banks were in the vanguard of the market's advance, still responding to last week's interest rate cut, the prospect of more to come and reflecting increasing optimism ahead of *the reporting season to be led* by Lloyds Bank. The latter's shares jumped 19 to 559p, while NatWest moved up 17 to 459p and Barclays gained 16 to 436p. Abbey National rose 11¼ to 380½p. The biggest turnover in the sector (10m shares) was in Bank of Scotland which closed 2¼ firmer at 132p.

The property sector was buoyant as two brokers adopted more positive stances amid speculation of further interest rate cuts. Among those stocks benefiting yesterday, British Land added 11 to 209p, Land Securities 12 to 486p and MEPC 12 to 364p.

The latest slide in sterling triggered a fresh flurry of strong domestic and international buying of oil shares.

BP jumped 8½ to 254p – a two-day rise of 16½p – on *heavy turnover of 14m shares,* with shares held by US investors now thought to account for some 23 per cent of BP issued capital. Shell advanced 15 to 573p on 4.9m traded.

Second-line oil stocks raced ahead led by Clyde, 6 up at 46p and Goal, 7 firmer at 62p. Premier gained 1¼ to 29p on heavy turnover of 8.6m, still supported by bid speculation.

Burmah Castrol's big D-Mark exposure saw the shares climb 18 to 898p.

Among aerospace and engineering stocks, British Aerospace jumped 21 to 274p, in trade of 8.7m shares.

The renewed strength led to speculation that the company may deliver a higher than originally forecast dividend for 1992. Vague talk of a possible bid for BAe from GEC, a penny easier at 290p, was also heard in some quarters.

Sterling's weakness against the D-Mark and dollar helped a number of internationally traded stocks. Hanson rose 7 to 257½p, BAT Industries gained 17 to 978p.

Auction house Christies International rose 14 to 155p on unusually high turnover of 10m shares as one investor bought a block of 5m shares at a premium 165p a share.

Rolls-Royce another beneficiary of Al Yamamah was also also boosted by the same sentiment and the shares gained 6½ to 133p.

Broker's recommendations in the US led to strong demand for British Steel and the shares firmed 4 to 77p, with volume climbing to 18m by the close.

Shares in Alexon jumped sharply on rumours that a predator was eyeing the retailer. Next was the candidate, although most analysts were sceptical. Alexon shares rose 9 to 74p, and Next 1½ to 143½p.

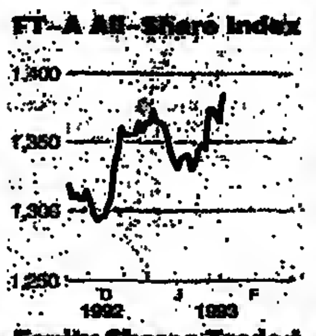
NatWest Securities shifted its stance on Tesco, turning long-term seller of the stock, downgrading and advising clients to switch into J Sainsbury or *Kwik Save. The house* blames Tesco's limited earnings growth potential. However, the shares gained 6 to 265p, helped by a Nomura upgrade. Sainsbury closed 5 *ahead at 580p.*

Kingfisher added 8 to 557p, aided by a buy note from Kleinwort Benson, which believes the recent weakness in the shares overdone. The *house also took Guinness off* its sell list. The shares gained 7 to 460p.

MARKET REPORTERS:
Christopher Price, Joel Kibazo, Peter John, Steve Thompson.

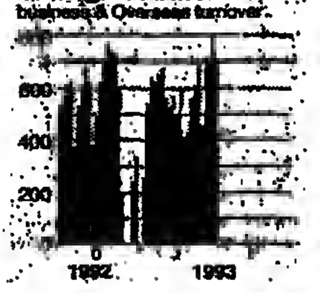
■ Other market statistics, Page 21

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business & Overseas turnover.



NEW HIGHS AND LOWS FOR 1992/93

NEW HIGHS (218). [illegible] ... STORES (2) Brown (N), GUS, TEXTS (4) Celestion, Hicking Pentecost, Leeds, Yorklyde, TRANSPORT (4) GATX, Powell Duffryn, Seacon, Tibbett & Britten, PLANTATIONS (1) Kuala Lumpur Kepong, MINES (1) Antofagasta.
NEW LOWS (6).
CONTS & CONSTRCN (1) Lon. & Clydesdale, FOOD RETAILING (1) Appleby Westward, MISC (1) Heath (S), PROP (2) Markheath, Olives, MINES (1) Joel (HJ).

FINANCIAL TIMES EQUITY INDICES

	Feb 1	Jan 29	Jan 28	Jan 27	Jan 26	Year ago	High	Low
Ordinary share	2207.5	2177.3	2184.8	2187.0	[illegible]	[illegible]	[illegible]	[illegible]
Ord. div. yield	4.29	4.35	4.33	4.32	[illegible]	[illegible]	[illegible]	[illegible]
Earning yld % full	5.84	5.97	5.95	5.93	[illegible]	[illegible]	[illegible]	[illegible]
P/E ratio net	21.83	21.35	21.43	21.51	[illegible]	[illegible]	[illegible]	[illegible]
P/E ratio nil	20.13	19.72	19.80	19.87	[illegible]	[illegible]	[illegible]	[illegible]
Gold Mines	78.3	74.7	69.3	67.5	[illegible]	[illegible]	[illegible]	[illegible]

*For 1992/93. Ordinary share index since compilation: high [illegible] Gold Mines index since compilation high: 734.7 15/2/83- low [illegible] Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2184.2	2197.7	2196.1	2197.8	2201.8	2204.5	2199.5	[illegible]	[illegible]	[illegible]	[illegible]

Volume	Feb 1	Jan 29	Jan 28	Jan 27	Jan 26	Year ago
SEAQ Bargains	30,006	36,852	35,017	38,362	39,474	31,089
Equity Turnover(£m)†	-	1506.2	1446.2	1482.8	1719.6	744.60
Equity Bargains†	-	40,859	41,409	43,043	43,704	31,664
Shares traded (mil)†	-	706.3	793.8	694.5	716.8	367.6

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p at all other times.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
2851.6 +44.4	2988.9 +34.0	1384.44 +20.11

[illegible]

Hourly movements

[illegible]

FT-SE Actuaries 350 Industry Baskets

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

[illegible]

OTHER FIXED INTEREST

[illegible]

Continued on next page

EQUITY FUTURES AND OPTIONS TRADING

THE DECLINE of sterling and the subsequent hopes of a cut in interest rates led to a strong showing in the derivatives sector, on the first day of the new equity account, writes Joel Kibazo.

In stock index futures, trading in the March contract on the FT-SE opened at 2,843, which some traders took to indicate an uneventful session. However, speculation that the UK government would be forced to cut interest rates led to strong buying by both US and UK houses, driving March strongly forward to trade at a healthy premium for most of the day. Dealers said there was some good arbitrage activity at the higher levels.

In the afternoon, a strong Wall Street only served to boost further buying of the March contract and it closed at 2,870, up 48 from the previous finish and at a 17-point premium to the underlying cash market.

The recent decline of interest rates now means that fair value has fallen to between nil and -1 for this account. Turnover was a healthy 10,018 contracts.

The traded options were also busy and saw turnover of 51,866 contracts by the close, with strong two-way business in Asda making a large contribution to the total. It had 19,579 lots transacted, and was followed among stock options by British Steel with 3,668 contracts and Hanson with 2,437 lots. Volume in the FT-SE 100 option was 17,162.

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or -	1992/93 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs	h	18⅞xd	+½	21¼	14⅝	15,798	6.3
Allegheny & W	♥	433p	—	457p	225p	225.0	4.4
Amdahl		583p	+32	1158p	438p	664.7	1.1
Amer Cyanamid		36½	+½	38⅞	28⅞	3,290	2.8
Amer Express		15⅞xd	+1⅛	16⅝	10⅛	7,619	4.0
Amer T & T		36¼xd	+1⅜	36⅞	20⅛	48,208	2.3
Ameritech		49⅝	+⅞	49⅝	32½	21,610	4.7
BankAmerica		35¼xd	+1½	36¼	19⅛	12,490	2.3
Bankers NY		45⅞xd	+1⅞	48⅛	28⅞	3,667	4.3
Bell Atlantic		35½	+⅛	35½	23⅛	15,368	4.6
BellSouth		35⅝	+⅛	35⅝	25	17,623	6.3
Bethlehem Steel	♥	12⅞xd	+⅞	12⅞	5⅛	1,170	–
Bowater		1433pxd	+98	1637p	905p	518.0	5.3
CPC	h	32⅛xd	+1⅛	34	22⅞	4,605	2.4
Cadiz Land Inc	♥	115p	—	342p	108p	–	–
California Engy		1356p	—	1356p	591p	246.9	–
Chase Manhattan		20½xd	+½	20½	9⅛	3,188	3.7
Chrysler		26⅞xd	+½	26⅞	8⅛	7,679	1.4
Citicorp		17⅝xd	+⅛	17⅝	5⅛	6,442	–
Colgate-Palm		38⅞xd	+1⅛	43⅛	25⅛	8,287	2.0
Cont'l Bank		1604p	+162	1604p	499p	1,620	2.4
Dana		32⅛xd	+⅞	32⅞	14⅞	1,478	3.1
Data General		776p	—	1004p	384p	224.1	–
Decora Inds	♥	146p	—	146p	68p	–	–
Dun & Brad		39⅛	—	40½	27⅝	6,993	3.7
Eaton		64⅛	+1⅞	64½	32½	1,875	6.3
Echlin		17⅞xd	+⅞	17⅞	7⅞	992.2	2.5
FPL		25⅞xd	+1⅛	25⅞	17⅞	4,655	6.1
Ford Motor		21⅝xd	+⅛	31⅞	15	15,436	2.0
Gen Elect		58⅞xd	+2⅞	58⅞	36⅛	50,443	2.7
General Host	♥	640p	—	640p	360p	–	2.5
Gillette		35⅛xd	+1⅛	40	23⅞	7,993	1.2
Hasbro		20⅞	—	22½	12⅞	1,815	0.0
Honeywell	h	22⅞	+⅝	32⅞	19	3,076	3.9
Houston Inds		32	+1	32	22	4,144	6.9
IBM		35⅞	+1⅞	54½	29⅞	28,409	3.8
Ingersoll-Rand		22⅞xd	+⅛	22⅞	12⅞	2,398	1.9
Lockheed		38⅛	+⅛	38⅛	22⅞	2,339	6.3

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INVESTMENT TRUSTS - Cont.

Notes	Price	+ or -	1992/93 high	low	Yld Gr's	NAV	Dis or Pm(-)
Scottish Inv ♣☐	194½	+2½	194½	141	3.2	227.5	14.5
Warrants ☐	42	+2	42	21	–	–	–
Scot Mortgage ♣†☐	180	+8	180	135	2.7	319.2	13.5
Scot National Inc ♣☐	95	+1	107	85½	10.5	–	–
Cap ☐	21	+1	42	12½	–	58.7	64.8
Stepped Pf	154	+1	156½	135	5.3	–	–
Zero Div Pf	211	+½	212	108½	–	–	–
Warrants	4	–	8	3	–	–	–
Scot Value	73½	+½	72½	48	3.3	71.9	-2.8
Sec Alliance ♣	1423	+18	1433	1086	3.4	1601.1	11.2
Second Consold	96	+1	163	88	–	190.1	50.0
Second Market	278	+5	278	222	0.7	322.8	14.7
Sec Tst Scot ♣☐	79	+1½	79	61	6.5	82.4	4.8
Select Assets	117	+1	117	78½	1.4	165.0	29.4
Eq Ind Sed	132	–	132	106	4.3	–	–
Eq Ind Sem	132	–	132	106	4.3	–	–
SHIRESCO1	117	+1	117	98	8.0	114.2	-1.8
Shires ♣	250	+3	250	188	9.8	240.7	-3.2
11pc Cv Ln '03/04	£120½	+½	£120½	£95½	9.1	–	–
Slam Select	128	+2	128	69	0.3	160.8	20.8
Warrants	28	+2	28	10	–	–	–
Smaller Cos ☐	65	+3	65	68	3.5	92.4	-2.2
Warrants	23	+1	23	10	–	–	–
Sphere Inc N☐	16½	+1½	20	9½	25.1	28.4	45.4
Zero Div Pf	84¾	+½	84¾	63¾	–	–	–
Summit	46	–	55	30	4.2	93.3	57.1
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service

INVESTMENT COMPANIES

[illegible]

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

MOTORS

[illegible]

OIL & GAS

[illegible]

OIL & GAS - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES - Cont.

Notes	Price	+ or -	1992/93 high	low	Mkt Cap£m	Yld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Greenwich Res ☐	5¼	–	11	1	4.05	–
Hemlo Gold C$	£4	–	£5⅝	£3½	385.6	2.5
Ivernia West IE †☐	81	-2	53	30	15.8	–
Kells Mins IE	7	+1	42	6	0.17	–
Kenmare ☐	8	+¼	8	2¼	7.88	–
Metloga Res	22	+3½	48	6	2.43	–
Navan Res IE ♣	25	–	34	16	3.36	–
5pc Ln Notes	27	–	29	25	4.91	–
Oryx Gold	48	–	183	45¾	–	–
Plateau	30	–	13	3	1.37	–
RTZ ☐	690	+77	698	469	6,820	3.8
Vizcaya	2¾	–	5	1	7.47	–

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

☐ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
● "Tap Stock"
* Highs and lows marked thus have been adjusted to allow for rights issues for cash
† Interim since increased or resumed
‡ Interim since reduced, passed or deferred
‡‡ Tax-free to non-residents on application
♦ Figures or report awaited
♦ Not officially UK listed; dealings permitted under rule 535(4)(a)
♣ Free annual/interim report available, see details below.
♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
†† Not officially UK listed; dealings permitted under Rule 535(2)
# Price at time of suspension
¶ Indicated dividend yield after pending scrip and/or rights issue.
♦ Merger bid or reorganisation in progress
§ Forecast dividend yield; p/e based on earnings updated by latest interim statement.
♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
y Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other offical estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Yield based on prospectus or other official estimates for 1992.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

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Annual subscription £250.00 stg.
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FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

AUTHORISED UNIT TRUSTS

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Unit Trust Managers Limited (1000)F						
51 Belmont Rd, Uxbridge, Middx UB8 1RZ 0895 259783						
AIB Crofund American	5	163.0	164.9	173.5	+0.20	0.00
AIB Crofund Equity	5	202.8	205.7	217.6	-0.40	3.30
AIB Crofund Euro	5	152.5	154.6	162.5	+1.90	0.00
AIB Crofund Ext Mkt	5	101.0	103.2	108.4	+2.30	2.53
AIB Crofund Gilt	5	75.87	75.89	78.24	-0.57	5.34
AIB Crofund Japan	5	126.1	127.5	134.2	+2.90	0.00
AXA Equity & Law Unit Tst Mngrs (1200)H						
Equity & Law Hse, Corporation St, Coventry 0203 553231						
General Inc	5	410.5	412.3	438.7	+6.1	2.70
General Acc	5	447.0	449.1	477.8	+6.6	2.70
UK Growth Acc	6	301.0	305.2	324.7	+3.4	3.03
UK Growth Inc	6	215.7	218.8	232.8	+2.5	3.03
Higher Inc Acc	6	531.3	539.2	573.7	+4.6	4.26
Higher Inc Inc	6	327.8	332.6	353.9	+2.7	4.26
Gilt/Fxd Int Acc	5½	171.8	171.8	181.4	+0.7	6.65
Gilt/Fxd Int Inc	5½	92.55	92.55	97.75	+0.39	6.65
N/h America	6	268.1	223.9	291.3	+1.1	0.00
Far East	6	245.1	245.1	260.8	+2.3	0.27
Europe	6	207.6	207.6	220.9	-0.5	1.30
Brit. Excell	6	62.11	62.11	66.08	-0.31	3.18
Brit Fedmds Acc	6	80.70	80.70	85.86	-0.77	5.26
Brit Fedmds Inc	6	63.34	63.34	67.39	-0.61	5.26
Global Opps	6	66.30	66.97	71.25	+0.97	0.02
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often well above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (◆) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Grs
Sharp (Albert E.) & Co (1000)F						
Admin: 5 Rayleigh Rd Hutton, Brentwood Essex						
Enquiries: 0277 227300 Dealing: 0277 261010						
European	5	105.00	105.50	111.10	+0.80	1.70
Int'l Bond & Conv	5	122.40	122.70	129.20	+0.20	5.59
Pooled Pension 4	7	146.4	150.7	161.0	-	-
Smaller Cos	5	59.44	61.26	64.51	+0.08	2.11
UK General	5	115.00	115.80	122.90	+0.80	2.42
Sheppards Unit Trust Mngmt Ltd (1200)F						
1 White Hart Yard, London Bridge SE1 071 407 5966						
Income	5	382.70	382.70	405.66	+2.14	5.02
Global Inc	5	56.15	56.15	59.52	+0.04	4.08
Brit Leaders	6	313.50	313.50	332.31	+1.52	3.07
Intl Leaders	5	181.43	181.43	192.32	+4.38	1.70
Fixed Int Gilt & Inc	3¼	51.81	53.14	55.23	+0.33	3.08
Singer & Friedlander UT Mgmt Ltd (1000)F						
PO Box 224, Beckenham, BR3 4TF 081-665 3003						
European Trust	6	50.01	50.12	53.32	+0.53	1.45
Far Eastern Tst	6	54.57	55.32	58.85	+1.19	0.84
Smaller Cos	5	134.7	134.2xd	143.1	+0.8	2.25
Smith & Williamson Unit Tst Mgrs (1600)F						
1 Riding House St, London W1A 3AS 071-637 5377						
S & W American	5	268.8	269.5	284.9	+2.40	1.21
S & W Capital	5	111.4	111.4	119.4	+0.30	2.00
S & W Cash	0	102.18	102.18	102.18	+0.01	6.50
S & W European	5	109.4	109.5	115.8	+1.40	1.43
S & W Far Eastern	5	109.5	110.6	117.8	+1.70	0.02
S & W Growth	5	118.5	120.1xd	127.0	+0.10	1.63
S & W Income	5	106.5	107.0	114.0	+0.30	5.36
S & W Managed	5	117.7	117.7	126.3	+0.40	1.90
S & W Scoty Secs	5	284.5	290.5	307.2	+1.90	0.80
S & W Thoroughbred	5	136.7	135.7xd	145.8	+0.40	1.72
Societe Generale Touche Remnant (1200)F						
Mermaid Hse, 2 Puddle Dock, EC4V 3AT 071-410 4029						
American Grth	3¼	83.41	83.41	89.20	+2.83	0
Eur Sp Sits Acc	5¼	43.42	43.42	46.13	+0.58	0
Eur Sp Sits Inc	5¼	41.01	41.01	43.56	...	0
Far East Opps Inc	5¼	27.68	27.65	29.67	+0.79	0
Far East Opps Acc	5¼	28.44	28.44	30.49	+0.80	0
General Growth	5¼	95.66	95.66xd	102.70	+1.20	0

[illegible]

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Grs
Whittingdale Unit Tst Mgmt Ltd (0930)F						
2 Honey Lane, London EC2V 8BT 071-600 0462						
Challenger	2¼	92.14	92.14	99.35	+2.76	0.00
Short Dtd Gilt	1¼	109.2	109.2	110.6	+0.28	4.47
U.S Govmt Bond	1¼	0.7086	0.7086	0.7179	-0.0002	0.00
Gilt Income	4	91.92	91.92	94.03	+0.69	8.60
Gilt Growth	4	64.51	64.51	67.15	+0.14	0.00
City Reserve	0	52.07	52.07xd	52.07	+0.01	6.23
Woolwich Unit Trust Managers Ltd (1700)H						
1 White Oak Square, Swanley BR8 7AG 0705 368046						
Stockmarket Fd F	5	64.96	65.14	69.29	+1.09	2.24

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield Grs
Baillie Gifford & Co Ltd				
Int'l Expt Jan 20	653.6	674.71	...	1.03
Baring Investment Mngmt Ltd				
155 Bishopsgate, London EC2M 3XY				
071 214 1050 (general enquiries) 071 214 1004 (dealing)				
Charitable Funds				
UK Growth & Income	52.38	54.24	...	4.9
Income Plus	49.15	50.16	...	7.5
James Capel Fund Managers Ltd				
European Exempt	£106	107.222xd	+1.063	5.12
Japanese Exempt	[illegible]	[illegible]	+2.169	-
Managed Exempt	£126.114	130.321xd	+1.745	3.25
North American Exempt	[illegible]	104.728	+2.471	1.15
Pacific Exempt	[illegible]	[illegible]	+1.539	3.16
Cent. Bd. of Fin. of Church of England				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Inv Fund Dec 31	582.90	586.40	...	5.08
Fxd Int Sec Dec 31	151.95	152.70	...	9.50
Deposit Fund: See Money Market Trust Funds				

[illegible]

INSURANCES

[illegible]

Continued on next page

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

	Bid Price	Offer Price	+ or −	Yield Gross

Prolific Life & Pensions Ltd

Stramongate, Kendal, Cumbria LA9 4UB 0539 733733

Managed Fund see Balanced Growth Managed Fund

Life Funds

	Bid Price	Offer Price	+ or −	Yield Gross
Balanced Grth Mngd	672.1	715.0	+3.1	–
Adventurous Mngd	163.4	173.9	+2.0	–
Cautious Mngd	126.6	134.7	+0.8	–
Cash Fd	317.0	334.1	–	–
Property Fund	226.7	230.5	–	–
Equity Fund	771.4	820.7	+13.7	–
Fxd. Int. Fund	413.1	435.4	+5.6	–
International	340.0	362.0	+6.3	–
High Income	[illegible]	[illegible]	+0.3	–
Far East	454.0	483.0	+6.1	–
North American	460.2	[illegible]	+13.7	–
Special Sits	550.3	[illegible]	+2.5	–
Technology	478.4	509.0	+15.4	–
Extra Inc Fd	324.9	345.7	+0.1	–
Convertible & Gilt Fd	157.0	167.1	+1.4	–
American Income	187.0	199.0	+1.4	–
Gilt Fund 20	444.2	472.6	+0.4	–
European Fund	121.4	129.2	+0.7	–
Pref & Fixed Int	112.4	119.6	–	–
UK Blue Chip	118.1	124.5	+1.0	–
Recovery Fund	116.1	122.4	+0.6	–
Equity Income Dis	107.6	114.8	+0.9	5.03
Managed Dis	101.8	108.3	+1.1	5.66
High Yield Dis	103.8	109.4	+0.1	8.62

Pension Funds

	Bid Price	Offer Price	+ or −	Yield Gross
Bal Gth Mgd Pens Acc	782.9	824.0	+10.7	–
Adventurous Mgd Pens Acc	173.1	182.3	+3.6	–
Cautious Mgd Pens Acc	146.3	154.1	+1.0	–
Building Soc. Acc	345.6	364.4	–	–
Property Pens. Acc	295.4	311.0	–	–
Fix. Int. Pens. Acc	648.5	682.7	+4.6	–
Equity Pens. Acc	1005.2	1058.2	+21.9	–
International Pens Acc	317.7	334.5	+7.5	–
High Inc Pens Acc	671.1	706.5	+5.1	–
Tech Pens Acc	339.1	357.0	+12.6	–
N American Pens Acc	360.9	379.9	+11.6	–
Far Eastern Pens Acc	456.0	480.1	+9.8	–
Special Sits Pens Acc	454.2	478.2	+5.2	–

J Rothschild Assurance PLC

J Rothschild House, Dollar Street, Cirencester

Telephone: 0285 640302

Life Funds

	Bid Price
JRA/M&G Managed	118.0
JRA/Scudder Americas Mngd	112.1
JRA/St James's Place Mngd	119.5
Deposit	100.4
Far East	114.5
Gilts	106.0
Greater European	113.2
North American	135.1
UK Equity	117.2

Pension Funds

	Bid Price
Deposit cap	100.3
Far East cap	110.3
Far East acc	114.3
Gilts cap	103.5
Gilts acc	107.2
North American cap	134.3
North American acc	139.1
UK Equity cap	116.5
UK Equity acc	120.7

Royal Heritage Life Assurance Ltd

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

مكتبة الأصل

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Franc survives important test

THE FRENCH FRANC and Danish krone were victims of a short burst of speculative selling yesterday morning following the 10 per cent devaluation of the Irish punt against all the currencies in the European exchange rate mechanism, *writes James Blitz.*

In recent months, the devaluation of ERM currencies has been followed by strong selling of the next weakest in the system, and this pattern was repeated yesterday.

The French franc fell sharply in the first hours of trading, to a low of FFr3.3950 against the D-Mark, while the Danish krona was seen as low as DKr3.8750 against the D-Mark, near to its floor of DKr3.9016.

Three-month French francs were quoted as high as 15 per cent at the peak of the pressure.

However, the selling of both currencies eased off later in the morning, even though their respective money market interest rates remained high. The French franc closed at FFr3.380 against the D-Mark, while the krone closed at DKr3.8501.

The tensions were partly relieved by the market's acceptance of the size of the punt devaluation. The Irish punt climbed to the top of its new ERM bands. The French franc and krone even spent part of the day on their ERM floors against the Irish currency. The punt's strength allowed a remarkable cut in Ireland's overnight rate of lending from 100 per cent to 14 per cent.

Mr Mark Brett, an economist at BZW in London, said that the franc's swift recovery from selling pressures was highly significant. "People were prepared to take big speculative positions against the franc in September, but they are not prepared to any more," he said. "If the crisis does not come on the big day, it will not come at all."

Mr Mark Austin, Treasury Economist at Midland Global markets, says that the franc and krone are not safe yet. "There is still the fundamental problem of real interest rates that are too high and show no signs of coming down," he said.

Sterling recovered sharply against the D-Mark in European trading yesterday after plunging to a historic low of DM2.3550 against the D-Mark in Monday's Far East trading.

The recovery, to a close of DM2.3800, gave the impression that the sell-off had been the result of speculative trading by banks rather than the off-loading of long-term positions. In Tokyo, the pound bottomed out at $1.4500 against the dollar, a level not seen since 1985.

Mr Brett, of BZW, says that the most worrying problem for the pound is that 1-year sterling interest rates are now an unprecedented or so 200 basis points below the D-Mark's.

This puts the current 1-year forward rate for buying D-Marks at around DM2.4150 to the pound. In Mr Brett's view, this is an attractive rate for D-Mark purchasers and will keep the pound weak well into the future.

£ IN NEW YORK

Feb.1	Latest	Previous Close
£ Spot	1.4540-1.4550	1.4865 1.4875
1 month	0.40-0.38pm	0.40 0.39pm
3 months	1.05-1.02pm	1.15 1.12pm
12 months	2.70-2.60pm	3.15 3.05pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Feb.1	Previous
8.30 am	77.3	78.8
9.00 am	77.3	78.7
10.00 am	77.7	78.5
11.00 am	77.4	78.4
Noon	77.4	78.4
1.00 pm	77.4	78.5
2.00 pm	77.4	78.3
3.00 pm	77.4	78.4
4.00 pm	77.4	78.2

CURRENCY RATES

Feb 1	Bank ‡ rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.919904	0.819864
U.S Dollar	3.00	1.38188	1.19700
Canadian $	7.27	1.75513	1.51959
Austrian Sch	8.25	15.4853	13.6973
Belgian Franc	7.75	45.2738	40.0966
Danish Krone	9.50	8.48958	7.50281
D-Mark	8.23	2.20203	1.94692
Dutch Guilder	7.75	2.48421	2.19063
French Franc	10	7.47044	6.59069
Italian Lira	12.00	2048.66	1806.07
Japanese Yen	3.25	172.182	149.446
Norway Krone	-	9.37744	8.29462
Spanish Peseta	-	157.011	138.500
Swedish Krona	11.50	N/A	8.89432
Swiss Franc	5.50	2.03067	1.79969
Greek Drach	19	N/A	260.851
Irish Punt	-	N/A	0.797682

‡ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for Jan.29

CURRENCY MOVEMENTS

Feb 1	Bank of England Index	Morgan** Guaranty Changes %
Sterling	77.4	-31.6
U.S Dollar	67.0	-11.0
Canadian Dollar	96.0	-6.9
Austrian Schilling	115.4	+16.9
Belgian Franc	116.3	+2.1
Danish Krone	118.4	+12.2
D-Mark	125.8	+32.4
Swiss Franc	109.6	+28.2
Dutch Guilder	119.8	+21.4
French Franc	110.4	-6.4
Lira	82.5	-33.3
Yen	153.2	+87.9
Peseta	100.0	-23.8

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Jan.29

OTHER CURRENCIES

Feb 1	£	$
Argentina	[illegible]	[illegible]
Australia	[illegible]	[illegible]
Brazil	[illegible]	[illegible]
Finland	[illegible]	[illegible]
Greece	[illegible]	[illegible]
Hong Kong	[illegible]	[illegible]
Iran	[illegible]	[illegible]
Korea(Sth)	[illegible]	[illegible]
Kuwait	[illegible]	[illegible]
Luxembourg	[illegible]	[illegible]
Malaysia	[illegible]	[illegible]
Mexico	[illegible]	[illegible]
N.Zealand	[illegible]	[illegible]
Saudi Ar.	[illegible]	[illegible]
Singapore	[illegible]	[illegible]
S.Af (Cm)	[illegible]	[illegible]
S.Af (Fn)	[illegible]	[illegible]
Taiwan	[illegible]	[illegible]
U.A.E.	[illegible]	[illegible]

*Floating rate. Iran Official rate £98.50 $66.30

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Feb 1	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	142.150	138.500	-2.57	3.37	45
Portuguese Escudo	180.624	176.223	-2.44	3.23	41
Irish Punt	0.809996	0.797682	-1.52	2.27	68
Belgian Franc	40.2802	40.0966	-0.46	1.10	22
Dutch Guilder	2.20045	2.19063	-0.45	1.17	21
D-Mark	1.95294	1.94692	-0.31	1.03	19
French Franc	6.54988	6.59069	0.62	0.09	-35
Danish Krone	7.44934	7.50281	0.72	0.00	-33

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Feb 1	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4520 - 1.4695	1.4530 - 1.4540	0.41-0.39cpm	3.30	1.06-1.03pm	2.88
Canada	1.8375 - 1.8710	1.8400 - 1.8410	0.09pm-0.01cdis	0.26	0.07-0.23dis	-0.33
Netherlands	2.6475 - 2.6825	2.6725 - 2.6825	¼-⅜cdis	-1.68	1¼-1½dis	-2.05
Belgium	48.15 - 49.05	48.95 - 49.05	5-9cdis	-1.71	24-29dis	-2.16
Denmark	9.0570 - 9.1880	9.1625 - 9.1725	5⅞-9⅛oredis	-9.57	14½-19dis	-7.31
Ireland	0.8940 - 0.9805	0.9745 - 0.9755	0.60-1.00pdis	-9.86	1.75-2.50dis	-8.72
Germany	2.3535 - 2.3825	2.3775 - 2.3825	¼-½pfdis	-1.89	1¼-1⅝dis	-2.21
Portugal	212.40 - 215.80	214.20 - 215.20	100-145cdis	-6.85	369-430dis	-7.44
Spain	166.35 - 169.75	168.65 - 168.95	92-104cdis	-6.97	310-328dis	-7.56
Italy	2178.60 - 2217.10	2201.50 - 2202.50	8-11liredis	-5.18	31-34dis	-5.90
Norway	9.9550 - 10.1550	10.1150 - 10.1250	2-3⅝oredis	-3.33	8¾-10¼dis	-3.85
France	7.9845 - 8.0730	8.0400 - 8.0500	3⅞-5⅛cdis	-6.71	12¼-14½dis	-6.77
Sweden	10.6700 - 10.8920	10.8425 - 10.8525	2⅞-4oredis	-3.53	10⅞-12½dis	-4.22
Japan	181.00 - 184.25	181.00 - 182.00	½-⅜ypm	2.89	1⅝-1¼pm	3.17
Austria	16.50 - 16.74	16.68 - 16.71	1½-2½grodis	-1.44	7-8¾dis	-1.89
Switzerland	2.1780 - 2.2105	2.2000 - 2.2100	¼-⅛cpm	1.02	½-¼pm	0.68
Ecu	1.2165 - 1.2245	1.2185 - 1.2195	0.32-0.36cdis	-3.35	1.11-1.20dis	-3.79

Commercial rates taken towards the end of London trading. Six-month forward dollar 1.71-1.66pm. 12 Month 2.72-2.62pm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Feb 1	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4520 - 1.4695	1.4530 - 1.4540	0.41-0.39cpm	3.30	1.06-1.03pm	2.88
Ireland†	1.4835 - 1.5050	1.4925 - 1.4935	1.50-2.00cdis	-14.07	3.70-4.30dis	-10.98
Canada	1.2625 - 1.2715	1.2635 - 1.2645	0.30-0.34cdis	-3.04	0.98-1.06dis	-3.23
Netherlands	1.8225 - 1.8425	1.8415 - 1.8425	0.73-0.76cdis	-4.85	2.17-2.23dis	-4.78
Belgium	33.35 - 33.75	33.65 - 33.75	13.00-15.00cdis	-4.99	40.00-43.00dis	-4.93
Denmark	6.2430 - 6.3100	6.3050 - 6.3100	4.50-6.50oredis	-10.46	12.50-14.50dis	-8.56
Germany	1.6190 - 1.6375	1.6365 - 1.6375	0.67-0.69pfdis	-4.98	2.02-2.05dis	-4.97
Portugal	146.70 - 147.95	146.85 - 146.95	122-128cdis	-10.21	373-388dis	-10.36
Spain	115.35 - 116.15	115.95 - 116.05	95-105cdis	-10.34	298-318dis	-10.62
Italy	1504.00 - 1518.25	1514.75 - 1515.25	10.00-11.00liredis	-8.32	31.80-33.00dis	-8.55
Norway	6.9050 - 6.9650	6.9600 - 6.9650	3.40-4.10oredis	-6.46	11.00-12.00dis	-6.61
France	5.4900 - 5.5375	5.5325 - 5.5375	4.40-4.90cdis	-10.08	12.80-13.80dis	-9.61
Sweden	7.3625 - 7.4700	7.4600 - 7.4650	4.00-4.75oredis	-7.04	12.20-13.50dis	-6.89
Japan	124.55 - 125.15	124.90 - 125.00	0.03-0.04ydis	-0.34	0.04-0.05dis	-0.14
Austria	11.4000 - 11.4900	11.4850 - 11.4900	4.45-4.80grodis	-4.83	13.30-14.40dis	-4.82
Switzerland	1.4940 - 1.5180	1.5170 - 1.5180	0.26-0.29cdis	-2.17	0.79-0.84dis	-2.15
Ecu†	1.1915 - 1.2015	1.1940 - 1.1950	0.65-0.63cpm	6.43	1.98-1.94pm	6.56

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Feb 1	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	6¾ - 6½	6¾ - 6½	6⅝ - 6½	6⅜ - 6¼	5 13/16 - 5⅝	5⅝ - 5½
US Dollar	3⅛ - 3	3⅛ - 3	3⅛ - 3	3¼ - 3⅛	3⅜ - 3¼	3⅝ - 3½
Can. Dollar	6 - 5¾	6½ - 6¼	6½ - 6¼	6⅝ - 6⅜	6⅝ - 6½	6⅞ - 6⅝
Dutch Guilder	8½ - 8⅜	8⅝ - 8½	8⅝ - 8½	8¼ - 8⅛	7¾ - 7⅝	7⅜ - 7¼
Swiss Franc	5¾ - 5½	5⅝ - 5½	5⅝ - 5½	5⅜ - 5¼	5⅛ - 5	5⅛ - 5
D-Mark	8¾ - 8⅝	8 11/16 - 8 9/16	8⅝ - 8½	8⅜ - 8¼	8 - 7⅞	7⅝ - 7½
French Franc	12¼ - 12	13 - 12¾	13¼ - 12¾	12⅜ - 12⅛	11⅜ - 11⅛	10 - 9¾
Italian Lira	13½ - 11½	12⅛ - 11⅝	12⅜ - 11⅞	12⅛ - 11⅞	12⅛ - 11⅞	11⅞ - 11⅝
Belgian Franc	8⅝ - 9⅛	8⅝ - 8½	8½ - 8⅜	8⅜ - 8¼	7 13/16 - 7 11/16	7½ - 7⅜
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years 4¼-4⅛ per cent; three years 4¾-4⅝ per cent; four years 5¼-5⅛ per cent; five years 5⅝-5½ per cent nominal. Short term rates are call for US Dollar and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Feb 1	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Pta.	Ecu
£	1	1.454	2.380	181.5	8.045	2.205	2.678	2202	1.841	49.00	168.8	1.219
$	0.688	1	1.637	124.8	5.533	1.517	1.842	1514	1.266	33.70	116.1	0.838
DM	0.420	0.611	1	76.26	3.380	0.926	1.125	925.2	0.774	20.59	70.92	0.512
YEN	5.510	8.011	13.11	1000.	44.33	12.15	14.75	12132	10.14	270.0	930.0	6.716
F Fr.	1.243	1.807	2.958	225.6	10.	2.741	3.329	2737	2.288	60.91	209.0	1.515
S Fr.	0.454	0.659	1.079	82.31	3.649	1	1.215	998.6	0.835	22.22	76.55	0.553
N Fl.	0.373	0.543	0.889	67.77	3.004	0.823	1	822.3	0.687	18.30	63.03	0.455
Lira	0.454	0.660	1.081	82.43	3.653	1.001	1.216	1000.	0.836	22.25	76.66	0.554
C$	0.543	0.790	1.293	98.59	4.370	1.198	1.455	1196	1	26.62	91.69	0.662
B Fr.	2.041	2.967	4.857	370.4	16.42	4.500	5.465	4494	3.757	100.	344.5	2.488
Pta	0.592	0.862	1.410	107.5	4.766	1.306	1.586	1305	1.091	29.03	100.	0.722
Ecu	0.820	1.193	1.952	148.9	6.600	1.809	2.197	1806	1.510	40.20	138.5	1.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS £50,000 64ths of 100% — [illegible]

LIFFE EURO SWISS FRANC OPTIONS SFR 1m points of 100% — [illegible]

LIFFE BUND FUTURES OPTIONS DM250,000 points of 100% — [illegible]

LIFFE EUROMARK OPTIONS DM1m points of 100% — [illegible]

LIFFE ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS — [illegible]

LIFFE SHORT STERLING OPTIONS £500,000 points of 100% — [illegible]

LONDON (LIFFE)

9% NOTIONAL BRITISH GILT — [illegible]

US TREASURY BONDS 8% — [illegible]

6% NOTIONAL GERMAN GOVT. BOND — [illegible]

6% NOTIONAL MEDIUM TERM GERMAN GOVT. BOND — [illegible]

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND — [illegible]

12% NOTIONAL ITALIAN GOVT. BOND (BTP) — [illegible]

THREE MONTH STERLING £500,000 points of 100% — [illegible]

THREE MONTH EURODOLLAR $1m points of 100% — [illegible]

THREE MONTH EUROMARK DM 1m points of 100% — [illegible]

THREE MONTH ECU ECU 1m points of 100% — [illegible]

THREE MONTH EURO SWISS FRANC SFR 1m points of 100% — [illegible]

THREE MONTH EUROLIRA INT. RATE LIRA 1,000m points of 100% — [illegible]

FT-SE 100 INDEX — [illegible]

Estimated volume 11690 (8987)
Previous day's open int. 53775 (53085)

* Contracts traded on APT. Closing prices shown.

CHICAGO

U.S. TREASURY BONDS (CBT) 8% — [illegible]

JAPANESE YEN (IMM) — [illegible]

DEUTSCHE MARK (IMM) — [illegible]

U.S. TREASURY BILLS (IMM) — [illegible]

THREE-MONTH EURODOLLAR (IMM) — [illegible]

BRITISH POUND (IMM) — [illegible]

SWISS FRANC (IMM) — [illegible]

STANDARD & POORS 500 INDEX — [illegible]

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per £1) — [illegible]

PARIS

7 to 10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES — [illegible]

THREE-MONTH PIBOR FUTURES (MATIF) — [illegible]

CAC-40 FUTURES (MATIF) Stock Index — [illegible]

ECU BOND (MATIF) — [illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF) — [illegible]

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.4535	1.4495	1.4431	1.4367	1.4268

BASE LENDING RATES

	%		%		%
Adam & Company	7	Cyprus Popular Bank	6	Mount Banking	7
Allied Trust Bank	7	Duncan Lawrie	6	NatWestminster	6
AIB Bank	7	Equatorial Bank plc	6	Northern Bank Ltd	6
•Henry Ansbacher	7	Exeter Bank Limited	7	Nykredit Mortgage Bnk	6.5
B & C Merchant Bank	13	Financial & Gen Bank	7	•Rea Brothers	6
Bank of Baroda	6	•Robert Fleming & Co	6	Roxburghe Guarantee	6
Banco Bilbao Vizcaya	6	Girobank	6	Royal Bk of Scotland	6
Bank of Cyprus	6	•Guinness Mahon	6	•Smith & Williamson Secs	6
Bank of India	6	Habib Bank AG Zurich	6	Standard Chartered	6
Bank of Ireland	6	•Hambros Bank	6	TSB	6
Bank of Scotland	6	Heritable & Gen Inv Bk	6	Unibank plc	6
Barclays Bank	6	•Hill Samuel	6	•United Bk of Kuwait	6
Brit Bk of Mid East	6	C. Hoare & Co	6	Unity Trust Bank Plc	6
•Brown Shipley	6	Hongkong & Shanghai	6	Western Trust	6
CL Bank Nederland	6	Julian Hodge Bank	6	Whiteaway Laidlaw	6
Citibank NA	6	•Leopold Joseph & Sons	6	Yorkshire Bank	6
City Merchants Bank	6	Lloyds Bank	6		
Clydesdale Bank	6	Meghraj Bank Ltd	6		
The Co-operative Bank	6	Midland Bank	6		
Coutts & Co	6				
Credit Lyonnais	6				

• Members of British Merchant Banking & Securities Houses Association

MONEY MARKETS

UK rates fall

DEALERS in the sterling cash and futures markets assumed that UK base rates would be as low as 5 per cent by the time of the March budget, despite strenuous claims by the UK government that it did not want to lower the cost of borrowing, *writes James Blitz.*

Newspaper reports that the UK government was considering cutting base rates to 4 per cent to stimulate recovery had a dramatic effect on short sterling futures.

UK clearing bank base lending rate 6 per cent from January 26, 1993

The March contract rose 15 basis points in the morning, to 94.50, a level which prices 3-month money at budget time at 5.50 per cent. That would be consistent with base rates at 5 per cent. The contract later fell back to close at 94.42.

The June and September contracts were also sharply bid up, to 94.76 and 94.77 respectively. This underlines even more firmly the view that base rates will be down at the 5 per cent level by summer.

Rates in the sterling cash market fell sharply, helped by a small shortage of £800m forecast by the Bank of England.

This came as a considerable relief to the market after a week of very tight money, which had seen the overnight rate of lending up at 100 per cent.

Three-month money came down by ¼ per cent to 6⅜ percent, while the 1-year rate was bid as low as 5¾ per cent.

More importantly, the yield curve for both "depo bills" and certificates of deposit continued to slope right down to the 1 year level, suggesting that the market has not ruled out a rate cut to below 5 per cent.

The weekend devaluation of the Irish punt forced a sharp rise in money market rates in France as pressure was again put on the French franc in the exchange rate mechanism.

The cost of 1-month French francs was quoted as high as 15 per cent on Friday, although the Bank of France did not change officially posted rates at its regular market intervention on a Monday. It later came down to about 13¼ per cent as pressure eased.

The March French franc contract tumbled another 23 basis points, closing at 88.22.

The March contract is now 223 basis points lower than its closing level on 18 January. Nothing better illustrates the speed with which dealers have revised expectations of an easing in French – and German – rates.

FT LONDON INTERBANK FIXING

(11.00 a.m. Feb.1)	3 months US dollars		6 months US Dollars
bid 3⅛	offer 3¼	bid 3¼	offer 3⅜

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

Lunchtime					
Prime rate	6	One month	2.95	Three year	4.63
Broker loan rate	5	Two month	2.84	Five year	5.59
Fed funds	3⅛	Three month	2.99	Seven year	6.08
Fed funds at intervention	3⅛	Six month	3.18	10-year	6.40
		One year	3.37	30-year	7.24
		Two year	4.20		

Feb 1	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.65-8.75	8.55-8.65	8.45-8.60	8.40-8.55	7.95-8.10	9.50
Paris	12¼-12½	12½-13¼	-	12⅛-12⅜	-	9.10
Zurich	5¾-5½	5⅝-5½	-	5⅜-5¼	-	-
Amsterdam	7.75-7.88	8.25-8.33	-	8.05-8.15	-	-
Tokyo	3 7/16-3⅜	3 5/16-3 3/16	-	-	-	-
Milan	12-12¼	12¼	-	12-12⅛	-	-
Brussels	8⅛-8⅜	8⅞-8⅝	-	8⅛-8⅜	-	-
Dublin	12-13	13-16	14-16	14-16	13-14	-

LONDON MONEY RATES

Feb 1	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	8	6¾	6⅝	6⅜	5 15/16	5¾
Interbank Bid	2	6½	6½	6¼	5¾	5⅝
Sterling CDs	-	-	6½	6¼	6	5⅝
Local Authority Deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Bonds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Mkt Deps	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Company Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finance House Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dollar CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep. Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep. Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep. Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep. Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell); one-month 5¾ per cent; three months 5⅝ per cent; Bank Bills (sell); one-month 5⅝ per cent; three months 5⅝ per cent; Treasury Bills; Average tender rate of discount [illegible]. ECGD Fixed Rate Sterling Export Finance. [illegible]

LEGAL NOTICE

[illegible]

MONEY MARKET FUNDS

Money Market Trust Funds

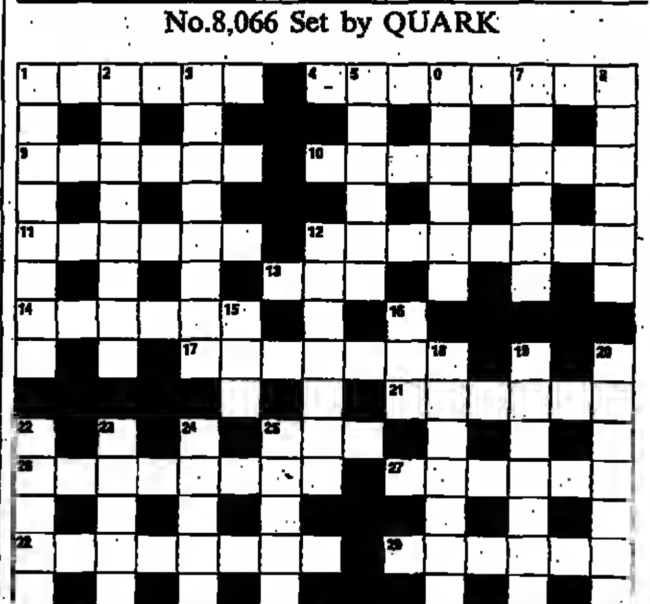
[illegible]

Money Market Bank Accounts

[illegible]

CROSSWORD

No.8,066 Set by QUARK



ACROSS
1 and 4 The cotangent is tricky and becomes involved (4,2,3,3)
9 A caption without it is ingenious (6)
10 At mutton chops for a change (8)
11 The lady at home with the grill (6)
12 Piano craftsman is loyal to the cause (8)
13 Land in the river? That's the crew, we hear (3)
14 Ignited ether – a means of keeping warm (6)
17 Two-wheeler drawn by horse, paradoxically (7)
21 Chap, for example, going to a wine-shop (8)
25 Notice the bishop's place (3)
26 Gush about an animal lover (6)
27 Put in a grave note about doctor (6)
28 Toast Ecu? That's ridiculous for one that's expelled! (8)
29 Up-and-down flight (6)
30 and 31 Noteworthy office for travellers? (8,3,6)

DOWN
1 Non-current lamp (8)
2 Go down hill fast in wintry conditions? (8)
3 Dim-lit sides of lounge could be inconvenient (3,5)
5 Sweet number with universal refrain coming up (6)
6 Suit inner compact parts? (6)
7 In the middle of a slight fog round beginning of day (6)
8 Adjusting the engine moving around after run's taken (6)
12 Jug for one who had a fling? (7)
15 Scrap the queue (3)
16 Sphere of influence in Torbay? (3)
18 At the summit, Nick's outside shop (8)
19 One divan transported from Exeter, say (8)
20 Thrash Mabel's at (getting drunk) (8)
22 The assurance in a snap Lombard Street decision (6)
23 Estimate in credit producing depression (6)
24 One graduate wearing friend's big jumper (6)
25 Met the requirements in formal wear (6)

Solution to Puzzle No.8,065

WORLD STOCK MARKETS

CANADA

TORONTO

INDICES

NEW YORK

STANDARD AND POOR'S

NEW YORK ACTIVE STOCKS

TRADING ACTIVITY

CANADA

JAPAN

TOKYO - Most Active Stocks

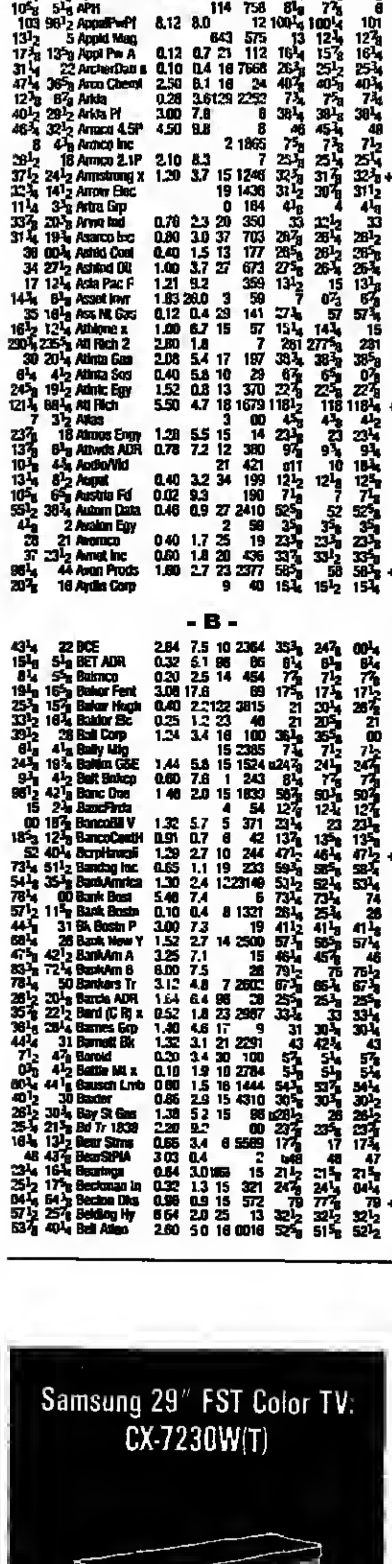
Monday, 1st February 1993

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Gajoen Kanko	6.2m	226	+44	UBE Industries	2.9m	357	+10
Nippon Jutaku	6.1m	919	+24	Nikon Corp	2.7m	792	+69
Aishin Seiko	4.8m	1,120	+80	Mitsubishi Hvy	2.5m	627	-1
Kanzaki paper	3.9m	650	+35	OJI Paper	2.4m	616	-55
Isuzu Motor	3.8m	369	+2	Nippon Express	2.3m	749	+2

4 pm close February 1

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992/93 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng. Prev. Close
15⅞	10¾	AAR Corp x	0.48	4.8	21	977	12⅛	11⅞	11⅞	
28½	18	A L Labs A	0.16	0.7	159	261	25⅞	25¼	25½	-¼
68¾	52⅝	AMP Inc	1.88	2.9	21	1546	58¼	57¾	58	+½
00¼	54⅜	AMR			9	4469	63⅞	62½	63⅛	
2⅝	1⅜	ARX			12	25	2	1⅞	1⅞	
53½	29⅞	ASA	2.00	6.0	26	393	33⅜	33	33⅛	+⅛
34¼	26⅛	Abbott Lab	0.96	2.2	18	9234	27⅞	27⅛	21½	
13⅞	10⅝	Abitibi Pr	0.50	4.3	4	95	11½	11⅜	11½	
11⅝	10⅛	ACM Gvt In	0.20	3.2		248	11⅜	11¼	11⅜	+⅛
10⅜	9	ACM GvOpp	1.21	13.3		48	8¾	0⅛	8¼	
6¾	8½	ACM Gvt Sp x	0.80	8.9		486	9¼	9⅛	6¼	+.98
11⅜	9⅞	ACM Gvt Se x	0.96	8.8		100	11	10⅞	10⅞	
10⅝	8⅝	ACM Man	1.18	11.9		101	10	9⅞	0⅞	-¼
12⅞	8⅝	ACM Managd	0.78	8.5		293	8¼	8	9½	+⅛
11¾	4¾	Acme Cleve	0.40	4.6	16	110	0¾	8⅝	8⅝	-⅛
8⅞	3¾	Acme Elect			167	67	8½	8⅜	8⅜	-⅛
33¼	13⅞	Acuson			10	1382	13⅞	d13½	13¾	-⅛
21	18⅛	Adams Expr	0.48	2.3	1	276	20⅝	19⅞	20⅜	+⅛
49⅝	29½	Ad Micro	3.00	6.3		528	47½	40¾	47¼	+⅛
21½	7½	Ad Micro P	3.00	15.7	7	5172	19¼	18½	18⅛	+½
6⅛	4⅞	Advest Grp	0.16	2.5	13	79	6⅝	6⅜	6⅜	-⅛
45¼	32	Aegon ADR	1.35	3.0	8	24	44⅝	44⅜	44⅜	-⅛
50¼	00	Aetna Lf x	2.76	5.3	15	1850	u52⅞	50⅜	52¼	+1¾
14½	6⅜	Affil A	0.24	2.0	19	1587	12½	11⅝	12	-⅛
35¾	24	Aflac	0.44	1.3	15	628	34	33½	33⅞	+⅛
22¼	13	Ahmanson	0.80	4.4	9	2610	20	19¾	19⅞	
22½	4	Aileen Inc			10	489	6⅛	6	6⅛	
48½	38½	Air Pr Com	0.96	1.9	18	1940	44¾	44	44¾	+⅞
29¾	12½	Airbne Frt	0.30	1.4	116	958	21	20¾	21	+⅛
33	11¼	Airgas Inc			27	285	20	19¼	19⅞	+1



Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

- S -

- T -

- U -

- V -

- W -

- X - Y - Z -

NASDAQ NATIONAL MARKET

4 pm close February 1

- A - - B - - C - - D - - E - - F - - G - - H - - I - - J - - K - - L - - M - - N - - O - - P - Q - - R - - S - - T - - U - - V - - W - - X - Y - Z -

AMEX COMPOSITE PRICES

4 pm close February 1

AMERICA

Dow draws strength from NAPM report

Wall Street

US share prices posted solid gains across the board yesterday, aided by a bullish economic report from the National Association of Purchasing Management, *writes Patrick Harverson in New York.*

At 1 pm, the Dow Jones Industrial Average was 13.51 higher at 3,323.54. The more broadly based Standard & Poor's 500 was up 1.99 at 440.77, while the Amex composite was up 0.37 at 411.45, and the Nasdaq composite up 2.35 at 698.69. NYSE trading volume was light at 137m shares by 1 pm.

The market opened firmer, lifted by strong gains overseas. On a lighter note, analysts were suggesting that superstitious investors may have been buying stocks yesterday following the Dallas Cowboys' victory in Sunday's Super Bowl. History shows that the stock markets do well in the years that follow a win by a team from the National Football Conference - and the Cowboys are from the NFC.

Ultimately, however, the market drew its strength from the NAPM's January report, which showed that its index of manufacturing activity nationwide climbed from 55.4 in December to 58.0 last month, a bigger improvement than analysts had forecast. The NAPM figures were just the latest in a string of encouraging reports.

Among individual stocks, American Express was the feature of the day, the stock rising $1⅞ to $24½ in volume of 3.8m shares as investors reacted positively to the unexpected news over the weekend that Mr Jim Robinson, the company's much-criticised chairman, had resigned. Last week Amex's share prices dropped sharply after Mr Robinson apparently won a bitter battle to stay on at the beleagured travel and financial services giant. Yesterday, Mr Richard Furlaud, a key member of the board of directors, was named non-executive chairman.

The second most heavily traded stock of the day was RJR Nabisco, which climbed $¼ to $8¾ in volume of 3.7m shares on reports that the company is considering issuing a second class of stock pegged to its food business.

RJR may also have been buoyed up by an Illinois court ruling which rejected a smoker's allegation that tobacco companies deliberately concealed the full dangers of smoking from consumers. News of the judgement aided other tobacco stocks, with Philip Morris rising $⅛ to $75⅝, and American Brands by $¾ to $36¼.

On the Nasdaq market, Lilly Industries jumped $1¾ to $24¾ on fourth quarter net income of 39 cents a share, almost double the 20 cents a share earned a year earlier.

Leading technology stocks which took a beating from profit-taking last week were back in favour. Intel recovered $3½ to $100¼ as almost 2m shares changed hands, while Microsoft firmed $⅝ to $87½ and Apple put on $1¼ at $60⅝.

BUENOS AIRES ran into profit-taking following Friday's surge on government measures to boost liquidity, cut banking costs and reduce interest rates.

The weighted Merval index of 19 most traded shares fell 18.20, or 4.25 per cent, to 410.04, after Friday's 9.3 per cent gain and a fall of about 10 per cent in the previous fortnight.

Canada

TORONTO WAS virtually flat at midsession as the market continued to digest fourth quarter earnings figures and focused on companies in the Bronfman family empire. The TSE-300 index inched up 1.2 points to 3,306.6.

The troubled Royal Trustco slid 55 cents to C$1.15 in heavy turnover after the Canadian Bond Rating Service cut its ratings late on Friday.

Equities move on fiscal and currency speculation

By William Cochrane

Japan was the powerhouse of an equity world dominated by currency and monetary economic speculation last week. While the US put in a modest performance and Europe was indecisive, Tokyo gained 3.6 per cent on mounting expectations of an imminent cut in the official discount rate, taking the FT-Actuaries World Index to a rise of 1.1 per cent in local currency terms.

Researchers from Salomon Brothers in Tokyo say the Bank of Japan (BoJ) showed no resistance to last week's continued rally in money markets, which set the stage for a probable reduction of 75 basis points in the official discount rate, from the current 3.25 per cent to 2.50 per cent.

However, says Salomon, the BoJ will not allow a bubble economy revival: "Once the economic recovery has taken firm hold, the BoJ will waste little time in returning interest rates to normal levels."

In Europe, the big battalions cancelled each other out: the UK celebrated its base rate reduction; but disappointing company results and continued earnings downgrades depressed sentiment in France and Germany.

On the periphery, Ireland moved higher on what the currency speculators were expecting, a devaluation of the punt. However, Davy Stockbrokers of Dublin, which in mid-January said this offered scope for a post-devaluation rally of 10 to 15 per cent, is not so bullish now.

Things have changed in two or three weeks, says Mr Robbie Kelleher, Davy's head of research. In mid-January, notes Mr Kelleher, the punt was standing at a sterling exchange rate of £1.04 to £1.05, with the possibility of a devaluation and some upside in sterling. Since then the UK currency has been weak, weekend forecasts of further UK interest rate cuts have made things worse, and even after a 10 per cent devaluation the punt is still around £1.03.

The currency theme persists on the other side of the Atlantic, where Mexico fields the biggest drop of the week with a setback of 6 per cent in local currency terms.

Mr Federico Laffan of Latin American Securities says there were a number of factors here: the increased strength of the peso against the dollar, offering currency gains, seems to have prompted some profit-taking; the offer for sale of shares in Grupo Carso, the conglomerate which manages Telmex, led to fears of over-supply; and, by the latter end of the week, there were fears of delays in the approval of NAFTA, the North American free trade agreement which had been seen as a boost for the Mexican economy.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1993	Start of 1993	Start of 1993
Austria	+3.70	-0.50	-18.05	-0.50	+1.55	-0.26
Belgium	+1.34	+5.27	-1.24	+5.27	+7.51	+5.58
Denmark	+1.63	+10.99	-20.83	+10.99	+14.28	+12.24
Finland	+2.61	+2.61	-2.34	+2.61	-1.17	-2.93
France	-2.27	-3.13	-4.94	-3.13	+0.09	-1.71
Germany	-0.99	+2.04	-6.46	+2.04	+4.59	+2.71
Ireland	+3.28	+4.04	-14.63	+4.04	+6.29	+4.39
Italy	+1.49	+10.75	-5.07	+10.75	+10.94	+8.97
Netherlands	+0.79	+1.89	+2.04	+1.89	+4.20	+2.34
Norway	+1.67	+1.44	-14.99	+1.44	+4.26	+2.40
Spain	-0.93	+8.21	-7.63	+8.21	+10.36	+8.40
Sweden	-2.51	-4.79	+4.77	-4.79	-8.01	-7.70
Switzerland	-0.33	+0.66	+16.22	+0.66	+1.11	-0.70
UK	+1.12	-0.63	+11.46	-0.63	-0.63	-2.40
EUROPE	+0.11	+0.63	+2.30	+0.62	+1.76	-0.05
Australia	+0.11	-2.00	-7.69	-2.00	-1.44	-3.20
Hong Kong	-3.31	+3.40	+20.45	+3.40	+5.40	+3.52
Japan	+5.62	-0.43	-16.69	-0.43	+1.42	-0.39
Malaysia	+0.81	-0.46	+14.07	-0.46	+0.98	-0.81
New Zealand	+2.16	-2.71	-3.49	-2.71	-0.60	-2.26
Singapore	+2.68	+2.55	-2.66	+2.55	+4.61	+2.45
Canada	+0.65	-1.90	-10.96	-1.90	-0.04	-1.82
USA	+0.49	+0.70	+7.17	+0.70	+2.53	+0.70
Mexico	-8.00	-4.90	+4.39	-4.90	-3.24	-4.98
South Africa	+0.78	+5.30	-8.56	+5.30	+10.47	+6.80
WORLD INDEX	+1.06	+0.35	-1.76	+0.35	+2.02	+0.20

† Based on January 29th 1993. Copyright, The Financial Times Limited, Goldman Sachs & Co. and NatWest Securities Limited.

EUROPE

Strong dollar is the centre of attention

AFTER the weekend devaluation in Ireland, a surge in the US dollar pushed up equities in dollar-sensitive countries like the Netherlands, Switzerland, Sweden and, selectively, Germany, while others like Italy and Spain got less of a boost, *writes Our Markets Staff.*

However, Mr Andrew Bell, director of European strategy at BZW, was not convinced that the bourses had their thinking mechanisms engaged. "In the 1980s," he said, "industrial demand in Europe was good, and a rise in the dollar gave exports an added attraction; now, Europe is in recession and it is questionable whether the US recovery will be big enough to bail it out."

ZURICH was higher in moderately active trade as the strong dollar and lower Swiss interest rates led banks, insurers and chemicals higher. The SMI index gained 29.6 to 2,120.7, having peaked during the session at a high for the year of 2,132.6.

UBS bearers added SFr13 to SFr917 while insurers took their lead from Swiss Re certificates, SFr11 higher at SFr553. Zurich Insurance bearers put on SFr10 to SFr2,230.

Among dollar-sensitive issues, Roche certificates were SFr30 higher at SFr4,130 and Sandoz certificates added SFr60 to SFr3,160. Swissair rose SFr18 to SFr543 on further consideration of its co-operation talks with KLM.

AMSTERDAM had another firm session, the CBS Tendency index rising 0.8 to 98.4.

Royal Dutch led the gains, up Fl 1.90 to Fl 149.90, helped by the Opec output cuts. Philips shrugged off the postponement of its high definition television project to add 20 cents to Fl 23.70. The truckmaker, Daf, hit a new all-time closing low of Fl 4.55, down Fl 1.45 in active but small-lot retail trade, with investors worried at the lack of a long-term refinancing agreement.

STOCKHOLM saw the Affärsvärlden General index rise 17.2 to 912.2 in turnover of SKr673m. Forestry companies were among the main beneficiaries, MoDo B adding SKr20 to SKr230.

Astra A rose SFr15 to SKr701, supported by the dollar, renewed interest after upbeat analysts' reports and hopes for its annual results, due in three weeks. Electrolux B rose SKr11 to SKr228 ahead of its results this week.

FRANKFURT ended off its highs with the DAX index up 13.31 at 1,585.16, but standard dollar-sensitive plays like the carmakers did better than that, with Daimler DM12.70 higher at DM584.50 and Volkswagen up DM6.20 at DM284.50.

Both Daimler and VW have been distinctly out of favour with industry analysts this year, but since the end of 1992 they have risen by DM47.50, and DM41.50 respectively.

Turnover rose from DM4.3bn to DM4.5bn. Equities were also supported by firmer German bond prices on revitalised hopes that key interest rates might be cut at Thursday's Bundesbank meeting. This speculation coincided with market talk that unions in Germany's public sector would agree to 1993 pay rises of below 4 per cent in negotiations with employers this week.

PARIS focused on Paribas and the oil majors as the CAC 40 index rose 13.69 to 1,785.90 in relatively subdued turnover of FFr1.86bn.

The banking group's shares, hit hard on Friday before the release of better than expected 1992 results, recovered FFr16.60 to FFr379.80. In oils, strong on higher oil prices, Elf Aquitaine put on FFr4.20 to FFr328.50 and Total, due to release its results a week today, rose by FFr5.90 to 227.50.

MILAN was clouded by the troubles plaguing Prime Minister Giuliano Amato's Socialist Party, and doubts about the prospects for any further Italian interest rate cut. The Comit index rose 0.49 to 487.40.

Flat fixed L70 higher at L4,410 and rallied to L4,500 after hours after managing director Mr Cesare Romiti was quoted as saying he expected a profit for 1993.

Ready mixed concrete company Calcestruzzi, part of the Ferruzzi-Montedison group, dropped L460 to L7,690 after reports that its chairman was questioned by police about contributions to political parties.

Gaic, which controls insurer La Fondaria, was L240 higher at L1,430 amid speculation over future control following the death at the weekend Mr Camillo De Benedetti.

DUBLIN ignored reservations about the recent progress of the sterling/punt relationship, and reflected the weekend devaluation of the punt in an ISEQ overall index up by 76.47, or 6 per cent to 1,347.50. Sceptics were saying, however, that equities will begin to struggle again unless sterling shows signs of strengthening, or the punt leaves the ERM altogether.

FT-SE Actuaries Share Indices

February 1 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1085.44	1085.46	1085.51	1085.62	1086.47	1086.53	1088.18	1088.01
FT-SE Eurotrack 200	1159.62	1158.45	1159.62	1158.19	1157.94	1158.16	1159.04	1158.83

	Jan 29	Jan 28	Jan 27	Jan 26	Jan 25
FT-SE Eurotrack 100	1079.16	1072.70	1072.28	1084.24	1077.68
FT-SE Eurotrack 200	1148.15	1148.06	1147.45	1156.52	1146.87

Base value 1000 (26/10/90) High/day: 100 - 1089.16; 200 - 1164.06 Low/day: 100 - 1084.23 200 - 1152.77

ASIA PACIFIC

Interest rate hopes sustain Nikkei revival

Tokyo

LATE afternoon arbitrage buying pushed share prices higher and the Nikkei average closed above the psychologically important support level of 17,000 for the third consecutive trading day, *writes Emiko Terazono in Tokyo.*

The 225-issue index gained 109.86 at 17,133.64, its high point of the day. It dipped to the day's low of 16,957.56 during the morning on profit-taking and remained around the 17,000 line for most of the session.

Volume dropped to 170m shares from Friday's 324m, with some large-lot investors cautious at the quick rise in equity prices. The lack of fresh news also affected activity. Advances outscored declines by 511 to 399, with 210 issues unchanged. The Topix index of all first section stocks put on 1.13 at 1,300.01, but in London the ISE/Nikkei 50 index lost 1.13 at 1,058.79.

In spite of the low level of activity, mounting expectations of an imminent cut in the official discount rate supported sentiment. Buying by public funds also improved the mood.

Some brokerage issues turned higher on hopes of increased market activity after the expected interest rate cut. Nikko Securities firmed Y4 to Y699 and Nomura Securities appreciated Y30 to Y1,630.

Gajoen Kanko, the most active issue of the day, forged ahead Y44 to Y236 on buying by speculative investors. Nippon Housing Loan, the debt-ridden housing loan company, jumped Y24 to Y313 in active trading following reports that creditor banks would forgo interest payments on loans.

Oji Paper dropped Y55 to Y816 in reaction to Friday's news that it is to merge with Kanzaki Paper. The latter was one of the best performers of the day, climbing Y35 to Y650.

Nippon Telegraph and Telephone rose Y20,000 to Y590,000 on recommendations by a UK broker. Profit-taking hit steels and heavy industries, which were higher last week on hopes of lower interest rates. Nippon Steel receded Y3 to Y295 and Mitsubishi Heavy Industries eased Y1 to Y527.

In Osaka, the OSE average moved up 31.66 to 18,455.11 in volume of 60.8m shares inflated by cross-trading – selling and buying back stocks in order to realise profits without changing the portfolio.

On the OSE stock futures market, volume in January fell to the lowest for three years. A total of 665,989 contracts changed hands, down by 36.5 per cent from December's level. Options trading dropped by 21 per cent to 470,692 contracts, the lightest since November 1989.

Roundup

POLITICAL and economic developments played an important part in some of the Pacific Rim markets.

SINGAPORE continued its march into record territory and the Straits Times Industrial index finished 24.28 stronger at a new peak of 1,644.44 on steady demand from institutional buyers.

December trade figures showing a nominal 38.1 per cent rise in domestic non-oil exports provided the catalyst. Volume expanded to 104.92m shares from Friday's 95.52m, with gains outpacing falls by 217 to 41.

Among shares meeting strong demand, Wearne rose 16 cents to S$3.52, Singapore Bus Services was 35 cents higher at S$6.75 and Neptune Orient Lines moved ahead 8 cents to S$1.51.

TAIWAN put on 3.8 per cent in active trade as political tensions eased after Saturday's announcement that Premier Hau Pei-tsun was willing to resign.

The weighted index ended 126.67 higher at 3,501.23 after Saturday's 123-point advance.

HONG KONG relinquished some ground in subdued trade, with the market wary about Governor Chris Patten's political reform proposals, which will be brought before the Legislative Council later this month. The Hang Seng index finished 53.62 lower at 5,697.78.

Among actively traded stocks, HSBC Holdings, pressured by sterling's weekend decline, fell HK$1 to HK$59, while Hang Seng Bank shed 50 cents to HK$56.50.

AUSTRALIA closed barely higher as volume was cut by lack of interest and a public holiday in Victoria.

The All Ordinaries index edged forward 0.9 of a point to 1,529.1.

BANGKOK moved lower as a market consolidation continued. Banks were active as the SET index lost 8.73 to 965.75.

BOMBAY saw a day of relentless selling which left the BSE index down 46.55 at 2,634.24. Tata Steel slipped Rs1.25 to Rs226.25 amid rumours that a broker facing liquidity problems was unloading his holdings.

SOUTH AFRICA

SHARES picked up after drifting easier and the overall index was unchanged at 3,433. A weaker financial rand took De Beers R1.10 higher to R67.85. The golds index shed 5 to 888 while the industrial index edged 2 higher to 4,525.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sacha & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY JANUARY 29 1993								THURSDAY JANUARY 28 1993					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992/93 High	1992/93 Low	Year ago (approx)
Australia (68)	121.12	-0.2	120.76	95.55	101.32	118.68	+0.0	4.10	121.34	118.82	95.26	100.02	118.59	153.68	108.18	145.44
Austria (18)	139.80	-1.0	139.98	110.29	116.95	116.80	+0.7	1.98	140.83	137.98	110.58	116.06	118.02	189.70	131.18	172.06
Belgium (42)	140.67	-0.6	140.26	110.97	117.67	115.00	+0.2	5.25	141.87	138.70	111.37	116.94	114.23	152.27	131.18	141.93
Canada (113)	113.54	-0.5	113.20	89.56	94.87	104.46	-0.4	3.15	114.05	111.50	89.54	94.01	104.88	142.12	111.36	137.50
Denmark (33)	208.80	-0.5	208.28	164.80	174.75	176.30	+0.3	1.55	209.95	205.26	164.83	173.06	174.76	273.94	181.70	262.91
Finland (23)	67.57	-2.2	67.37	53.30	56.52	78.55	-0.4	1.79	69.09	67.54	54.24	55.95	78.88	89.80	52.64	68.18
France (96)	144.66	-1.7	144.23	114.11	121.00	123.56	-0.4	3.63	147.23	143.84	115.58	121.35	124.02	166.75	136.93	150.67
Germany (62)	106.86	-1.2	106.55	84.31	89.39	89.39	+0.0	2.55	108.15	105.77	84.95	89.55	89.18	129.89	101.59	118.47
Hong Kong (55)	229.35	-0.8	228.67	180.93	191.87	227.69	-0.6	3.97	231.25	226.07	181.55	190.62	229.06	262.28	176.36	190.72
Ireland (16)	141.74	+0.7	141.32	111.81	118.56	122.54	+1.0	4.33	142.27	139.48	112.21	117.80	121.39	173.71	122.98	169.38
Italy (76)	59.79	+0.9	59.61	47.18	50.01	66.87	+2.8	3.31	59.28	57.95	46.54	49.09	65.38	80.95	47.47	77.69
Japan (472)	104.62	+0.1	104.31	82.53	87.52	82.53	+0.6	1.01	104.52	102.18	82.06	86.17	82.06	140.95	87.27	126.35
Malaysia (69)	259.07	+0.3	258.30	204.37	216.71	262.17	+0.7	2.30	258.20	252.43	202.70	212.83	260.24	282.42	212.49	256.50
Mexico (18)	1566.13	-4.5	1561.45	1235.49	1310.09	5345.88	-3.7	1.12	1640.34	1603.69	1287.81	1352.15	5550.78	1789.77	1185.84	1525.18
Netherland (25)	154.94	-0.8	154.48	122.23	129.61	128.07	+0.8	4.44	156.12	152.63	122.57	128.69	127.05	169.70	147.88	162.18
New Zealand (13)	41.92	+0.2	41.79	33.07	35.07	43.11	+0.8	5.07	41.84	40.90	32.85	34.49	42.85	48.52	37.39	44.89
Norway (22)	141.02	+0.3	140.60	111.25	117.97	131.18	+1.7	1.84	140.58	137.41	110.35	115.86	128.92	192.95	128.05	181.02
Singapore (38)	218.50	+1.4	217.84	172.45	182.85	183.41	+1.7	1.89	215.57	210.75	169.25	177.70	180.27	229.63	178.65	222.81
South Africa (60)	160.69	-0.5	160.21	126.76	134.42	165.48	+0.5	3.08	161.58	157.96	126.86	133.18	164.61	263.60	134.21	243.17
Spain (47)	126.41	-1.0	126.04	99.73	105.74	109.51	+0.0	5.53	127.71	124.85	100.27	105.27	109.47	161.72	107.10	155.23
Sweden (36)	152.82	+0.2	152.37	120.56	127.84	165.04	+1.6	2.80	152.45	149.05	119.69	125.67	162.44	200.26	146.89	181.04
Switzerland (56)	112.22	-0.7	111.89	88.54	93.89	103.36	+1.0	2.07	112.98	110.45	88.70	93.14	102.33	122.37	95.99	100.07
United Kingdom (225)	168.22	-2.2	167.72	132.69	140.71	167.72	-0.3	4.44	172.08	168.23	135.09	141.83	168.23	200.07	161.86	183.38
USA (522)	179.34	+0.0	178.81	141.48	150.03	179.34	+0.0	2.81	179.25	175.26	140.74	147.77	179.25	180.06	160.92	166.81
Europe (780)	135.94	-1.5	135.54	107.25	113.72	125.63	+0.2	3.75	137.97	134.88	108.32	113.73	125.40	156.88	131.31	147.41
Nordic (114)	145.25	-0.2	144.82	114.58	121.50	138.80	+1.2	2.20	145.48	142.23	114.22	119.92	137.10	188.52	141.24	183.18
Pacific Basin (715)	109.37	+0.0	109.05	86.28	91.49	88.13	+0.5	1.35	109.32	106.87	85.83	90.11	87.70	141.87	93.70	130.61
Euro - Pacific (1495)	120.12	-0.7	119.76	94.78	100.48	103.10	+0.3	2.46	120.91	118.21	94.92	99.68	102.74	145.21	113.80	138.65
North America (635)	175.27	+0.0	174.75	138.28	146.64	174.27	+0.0	2.83	175.22	171.30	137.58	144.45	174.20	176.04	155.70	165.02
Europe Ex. UK (554)	118.29	-0.9	115.94	91.75	97.30	102.70	+0.5	3.26	117.36	114.74	92.18	96.76	102.15	132.98	111.33	125.72
Pacific Ex. Japan (243)	156.05	-0.2	155.59	123.12	130.55	145.21	-0.1	3.87	156.37	152.88	122.78	128.91	145.28	175.31	146.06	152.92
World Ex. US (1686)	121.24	-0.7	120.88	95.65	101.42	105.11	+0.3	2.48	122.08	119.35	95.85	100.64	104.81	146.81	115.29	139.02
World Ex. UK (1982)	137.18	-0.2	136.77	108.23	114.77	124.02	+0.2	2.42	137.40	134.32	107.87	113.27	123.72	160.58	127.21	144.40
World Ex. So. Af. (2148)	138.84	-0.4	139.43	110.33	116.99	127.51	+0.2	2.62	140.37	137.23	110.21	115.71	127.28	153.05	130.04	147.17
World Ex. Japan (1736)	159.80	-0.5	159.33	126.08	133.70	154.32	+0.1	3.17	160.66	157.06	126.14	132.45	154.24	165.40	151.33	169.45
The World Index (2206)	139.86	-0.4	139.47	110.36	117.02	127.87	+0.2	2.62	140.41	137.27	110.24	115.75	127.64	153.70	130.86	147.79

Latest prices were unavailable for this edition.